Narra Industries Berhad

(Company No. 62227-X)

(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the financial year ended 30 June 2013

Narra Industries Berhad
(Company No. 62227-X)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the financial year ended 30 June 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2013.

Principal activities

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are as stated in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	**Company RM'000**
Profit/(Loss) for the year attributable to owners of the Company	73	(27,258)
	====	=====

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividend

No dividend was paid during the financial year and the Directors do not recommend a final dividend for the financial year ended 30 June 2013.

Directors of the Company

Directors who served since the date of the last report are:

YBhg Datuk Kwek Leng San (Chairman)
YBhg Datuk Syed Zaid bin Syed Jaffar Albar
YBhg Dato' Rosman bin Abdullah
Mr Terence Lee Chai Koon
Mr Seow Yoo Lin

Company No. 62227-X

Directors' interests

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2013 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Nominal value per share RM	At 1.7.2012	Acquired	Sold	At 30.6.2013
Shareholdings in which Directors have direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	117,500
Hong Leong Industries Berhad	0.50	2,520,000	-	-	2,520,000
Malaysian Pacific Industries Berhad	0.50	1,260,000	-	-	1,260,000
Hong Leong Capital Berhad	1.00	119,000	-	(119,000)	-
Hong Leong Bank Berhad	1.00	462,000	-	-	462,000
Guoco Group Limited	US$0.50	209,120	-	-	209,120
Hong Leong Financial Group Berhad	1.00	600,000	-	-	600,000
Interest of Mr Terence Lee Chai Koon in:					
GuocoLeisure Limited	US$0.20	68,250	-	-	68,250

Directors' benefits

No Director of the Company has since the end of the previous financial year received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for YBhg Datuk Syed Zaid bin Syed Jaffar Albar who may be deemed to derive a benefit by virtue of the provision of legal services by a firm in which YBhg Datuk Syed Zaid bin Syed Jaffar Albar has interest to related corporations.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Executive Share Option Scheme ("ESOS" or "Scheme")

The ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 24 October 2005, was established on 23 January 2006 and shall be in force for a period of ten (10) years.

On 13 January 2006, the Company announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS at any time during the existence of the ESOS.

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the ESOS are, inter alia, as follows:

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time executive directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

2. The aggregate number of shares to be issued under the ESOS shall not exceed fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company for the time being.

3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.

4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

5. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.

6. The exercise of the options may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

There were no options granted during the financial year.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company and the Company has not issued any debentures during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

Other statutory information (continued)

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 June 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board

…………………………………………………………
Datuk Kwek Leng San

…………………………………………………………
Datuk Syed Zaid bin Syed Jaffar Albar

Kuala Lumpur

27 August 2013

Narra Industries Berhad

(Company No. 62227-X)
(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 30 June 2013

	Note	Group 30.6.2013 RM'000	Group 30.6.2012 RM'000	Group 1.7.2011 RM'000	Company 30.6.2013 RM'000	Company 30.6.2012 RM'000	Company 1.7.2011 RM'000
Assets							
Property, plant and equipment	4	9,210	9,762	10,299	-	-	-
Investment in a subsidiary	5	-	-	-	23,538	50,534	50,534
Deferred tax assets	6	1,024	970	1,094	-	-	-
Total non-current assets		10,234	10,732	11,393	23,538	50,534	50,534
Inventories	7	3,760	2,951	1,603	-	-	-
Trade and other receivables	8	18,422	13,360	10,441	13	13	12
Current tax assets		-	71	2	-	-	2
Cash and cash equivalents	9	10,882	10,807	11,711	6,695	7,035	7,203
Total current assets		33,064	27,189	23,757	6,708	7,048	7,217
Total assets		43,298	37,921	35,150	30,246	57,582	57,751
Equity attributable to owners of the Company							
Share capital	10	62,188	62,188	62,188	62,188	62,188	62,188
Reserves	11	(38,658)	(38,510)	(39,616)	(32,492)	(5,234)	(4,817)
Total equity		23,530	23,678	22,572	29,696	56,954	57,371
Liabilities							
Employee benefits	12(a)	120	153	266	-	-	-
Deferred tax liabilities	6	-	-	135	-	-	-
Total non-current liabilities		120	153	401	-	-	-
Trade and other payables	13	19,605	14,090	10,741	550	628	380
Borrowings (unsecured)	14	-	-	1,400	-	-	-
Current tax liabilities		43	-	36	-	-	-
Total current liabilities		19,648	14,090	12,177	550	628	380
Total liabilities		19,768	14,243	12,578	550	628	380
Total equity and liabilities		43,298	37,921	35,150	30,246	57,582	57,751

The notes on pages 13 to 60 are an integral part of these financial statements.

Narra Industries Berhad
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Statements of profit or loss and other comprehensive income for the year ended 30 June 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue	15	59,265	53,276	185	214
Cost of goods sold		(12,752)	(12,900)	-	-
Contract cost		(42,798)	(36,255)	-	-
Gross profit		3,715	4,121	185	214
Distribution expenses		(225)	(376)	-	-
Administration expenses		(3,230)	(3,141)	(467)	(639)
Other operating expenses		(348)	(15)	(27,004)	(5)
Other income		117	466	11	-
Results from operating activities		29	1,055	(27,275)	(430)
Finance costs		-	(26)	-	-
Finance income		42	59	16	17
Profit/(Loss) before taxation	16	71	1,088	(27,259)	(413)
Taxation	17	2	(204)	1	(4)
Profit/(Loss) for the year attributable to owners of the Company		73	884	(27,258)	(417)
Basic earnings per ordinary share (sen)	18	0.1	1.4		

Company No. 62227-X

Statements of profit or loss and other comprehensive income for the year ended 30 June 2013
(continued)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) for the year	73	884	(27,258)	(417)
Other comprehensive (expense)/income				
Foreign currency translation differences for foreign operations	(221)	222	-	-
Total comprehensive (expense)/income for the year attributable to owners of the Company	(148)	1,106	(27,258)	(417)

The notes on pages 13 to 60 are an integral part of these financial statements.

Narra Industries Berhad
(Company No. 62227-X)
(Incorporated in Malaysia)
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Statements of changes in equity for the year ended 30 June 2013

		← *Non-distributable*	→	
Group	**Share capital RM'000**	**Translation reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 1 July 2011	62,188	-	(39,616)	22,572
Foreign currency translation differences for foreign operations	-	222	-	222
Profit for the year	-	-	884	884
Total comprehensive income for the year	-	222	884	1,106
At 30 June 2012/1 July 2012	62,188	222	(38,732)	23,678
Foreign currency translation differences for foreign operations	-	(221)	-	(221)
Profit for the year	-	-	73	73
Total comprehensive (expense)/income for the year	-	(221)	73	(148)
At 30 June 2013	62,188	1	(38,659)	23,530
	=====	=====	=====	=====
	Note 10	Note 11	Note 11	

Company No. 62227-X

Statements of changes in equity for the year ended 30 June 2013 (continued)

Company	Share capital RM'000	*Non-distributable* Accumulated losses RM'000	Total equity RM'000
At 1 July 2011	62,188	(4,817)	57,371
Loss and total comprehensive expense for the year	-	(417)	(417)
At 30 June 2012/1 July 2012	62,188	(5,234)	56,954
Loss and total comprehensive expense for the year	-	(27,258)	(27,258)
At 30 June 2013	62,188	(32,492)	29,696
	Note 10	Note 11	

The notes on pages 13 to 60 are an integral part of these financial statements.

Narra Industries Berhad
(Company No. 62227-X)
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Statements of cash flows for the year ended 30 June 2013

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit/(Loss) before taxation	71	1,088	(27,259)	(413)
Adjustments for:				
Depreciation of property, plant and equipment	653	715	-	-
Dividend income - unquoted fund	(242)	(214)	(185)	(214)
Gain on disposal of property, plant and equipment	(22)	(29)	-	-
Finance costs	-	26	-	-
Finance income	(42)	(59)	(16)	(17)
Impairment loss on investment in a subsidiary	-	-	26,996	-
Reversal of retirement benefits	(24)	(67)	-	-
Unrealised loss/(gain) on foreign exchange	13	(10)	-	-
Operating profit/(loss) before working capital changes	407	1,450	(464)	(644)
Changes in working capital:				
Inventories	(809)	(1,348)	-	-
Trade and other receivables	(5,075)	(2,909)	-	(1)
Trade and other payables	5,515	3,349	(107)	59
Cash generated from/(used in) operations	38	542	(571)	(586)
Taxation refund/(paid)	62	(320)	1	(2)
Finance costs paid	-	(26)	-	-
Finance income received	42	59	16	17
Retirement benefits paid	(9)	(46)	-	-
Dividend received - unquoted fund	242	214	185	214
Net cash generated from/(used in) operating activities	375	423	(369)	(357)

Company No. 62227-X

Statements of cash flows for the year ended 30 June 2013
(continued)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	112	69	-	-
Acquisition of property, plant and equipment	(191)	(218)	-	-
Net cash used in investing activities	(79)	(149)	-	-
Cash flows from financing activities				
Repayments of borrowings	-	(1,400)	-	-
Repayments from a subsidiary	-	-	29	189
Net cash (used in)/generated from financing activities	-	(1,400)	29	189
Net change in cash and cash equivalents	296	(1,126)	(340)	(168)
Cash and cash equivalents at 1 July	10,807	11,711	7,035	7,203
Effect of exchange rate fluctuations on cash held	(221)	222	-	-
Cash and cash equivalents at 30 June	10,882	10,807	6,695	7,035

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed financial institutions	9	6,300	6,974	6,300	6,974
Cash and bank balances	9	4,582	3,833	395	61
		10,882	10,807	6,695	7,035

The notes on pages 13 to 60 are an integral part of these financial statements.

Narra Industries Berhad
(Company No. 62227-X)
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Notes to the financial statements

1. Corporate information

Narra Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of its principal place of business and registered office at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

The immediate and ultimate holding companies of the Company are Hong Leong Manufacturing Group Sdn. Bhd. and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements as at and for the financial year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group"). The financial statements of the Company as at and for the financial year ended 30 June 2013 do not include other entities.

The Company is an investment holding company, whilst the principal activities of the subsidiaries are as stated in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2013.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as those disclosed in Note 2.2 to the financial statements.

The financial statements of the Group and of the Company have been prepared in accordance with the applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). The financial impacts of transition to MFRS are disclosed in Note 24 to the financial statements.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

The preparation of the financial statements in conformity with MFRSs/IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following note:

- Note 5 - Investment in a subsidiary

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of the Company and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 July 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

Business combinations are accounted using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 July 2011

For acquisitions on or after 1 July 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions before 1 July 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 July 2011. Goodwill arising from acquisitions before 1 July 2011 has been carried forward from the previous FRS framework as at the date of transition.

(iii) Acquisitions from entities under common control

Business combination involving entities under common control are accounted for by applying the merger method of accounting. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital and capital reserves of the "acquire" entity is reflected within the equity.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Transactions eliminated on consolidation (continued)

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller after making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other operating expenses" respectively in profit or loss.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	Over period of lease of 60 years
• Buildings and improvements	Lease period or 50 years, whichever is shorter
• Plant and machinery	5 - 10 years
• Office equipment	5 - 10 years
• Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(c) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(d) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises trade and other receivables, and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see Note 2.2(g)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iv) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production 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 costs necessary to make the sale.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less.

(g) Impairment

(i) Financial assets

All financial assets (except for investment in a subsidiary) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(g) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(g) Impairment (continued)

(ii) Other assets (continued)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(h) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(i) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(i) Employee benefits (continued)

(ii) Defined benefit plans

The Group and the Company operate an unfunded defined benefit scheme for eligible employees. The present value of the defined benefit obligation as required by MFRS 119, *Employee Benefits* has not been used in deriving the provision, as the amount involved is not material to the Group and the Company. Accordingly, no further disclosure as required by the standard is made.

(iii) Share-based payments

The Group operates an equity-settled, share-based compensation plan for the employees of the Group under the Narra Industries Berhad's Executive Share Option Scheme ("ESOS"). The ESOS allows the eligible executives to purchase or acquire shares of the Company.

In connection with the ESOS, a trust has been set up and is administered by an appointed trustee ("ESOS Trust"). The trustee will be entitled, from time to time, to accept advances from the Group, upon such terms and conditions as the Group and the trustee may agree, to purchase the Company's shares from the open market for the ESOS Trust ("Trust Shares").

The fair value of the share options granted to employees is recognised as an employment cost with a corresponding increase in the Share Option Reserve over the vesting period. When the share options are exercised, the amount from the share option reserve is transferred to share premium. When the share options not exercised are expired, the amount from the share option reserve is transferred to retained earnings.

The fair value of the share options is measured using an option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(j) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

(ii) Financial statements of operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 which are reported using the exchange rates at the dates of the acquisition. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(j) Foreign currency (continued)

(ii) Financial statements of operations denominated in functional currencies other than Ringgit Malaysia ("RM") (continued)

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(l) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances and trade discount. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(m) Revenue and other income (continued)

(ii) Contract revenue

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to completion of a physical proportion of the contract work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the profit or loss.

(iii) Dividend income

Dividend income is recognised in profit or loss when the right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using effective interest method in profit or loss.

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(n) Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(o) Taxation

Taxation comprises current and deferred taxation. Current taxation and deferred taxation are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred taxation is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred taxation is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(p) Earnings per ordinary share

The Group presents basic earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.3 Statement of compliance

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*

2. Significant accounting policies (continued)

2.3 Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (continued)

- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 July 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013 except for IC Interpretation 20 which is not applicable to the Group and the Company;

- from the annual period beginning on 1 July 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014; and

- from the annual period beginning on 1 July 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

2. Significant accounting policies (continued)

2.3 Statement of compliance (continued)

The initial application of the other standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group upon their first adoption.

3. Companies in the Group

The principal activities of the companies in the Group, their country of incorporation and the effective interest of Narra Industries Berhad are shown below:

Name of subsidiary	Country of incorporation	Effective interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal activities
Hume Furniture Industries Sdn. Bhd.	Malaysia	100	100	100	Design, manufacture and supply of furniture and interior design fit-out works, and investment holding
Subsidiaries of Hume Furniture Industries Sdn. Bhd.					
Lifestyle Décor (Singapore) Pte. Ltd.*# (formerly known as Hume Furniture (Singapore) Pte. Ltd.)	Singapore	100	100	100	Ceased operation
Top Master Construction (Philippines) Inc* (formerly known as Hume Furniture (Philippines), Inc.)	Philippines	100	100	100	Ceased operation

Notes:
* Companies not audited by KPMG Malaysia.
# Submitted the application for striking off to Accounting & Corporate Regulatory Authority (ACRA) on 10 July 2013.

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4. Property, plant and equipment

Group	Long term leasehold land RM'000	Buildings and improvements RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 July 2011	2,908	7,938	4,312	1,434	280	16,872
Additions	-	-	-	111	107	218
Disposals	-	-	(52)	-	(188)	(240)
At 30 June 2012/1 July 2012	2,908	7,938	4,260	1,545	199	16,850
Additions	-	-	27	164	-	191
Disposals	-	-	(1,108)	-	(108)	(1,216)
Write-off	-	-	(9)	-	-	(9)
At 30 June 2013	2,908	7,938	3,170	1,709	91	15,816
Accumulated depreciation						
At 1 July 2011	556	1,362	3,475	1,037	143	6,573
Charge for the year	72	182	318	105	38	715
Disposals	-	-	(42)	-	(158)	(200)
At 30 June 2012/1 July 2012	628	1,544	3,751	1,142	23	7,088
Charge for the year	72	182	229	129	41	653
Disposals	-	-	(1,108)	-	(18)	(1,126)
Write-off	-	-	(9)	-	-	(9)
At 30 June 2013	700	1,726	2,863	1,271	46	6,606

Company No. 62227-X

4. Property, plant and equipment (continued)

Group	Long term leasehold land RM'000	Buildings and improvements RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Carrying amounts						
At 1 July 2011	2,352	6,576	837	397	137	10,299
At 30 June 2012/1 July 2012	2,280	6,394	509	403	176	9,762
At 30 June 2013	2,208	6,212	307	438	45	9,210

5. Investment in a subsidiary

	Company		
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Unquoted shares, at cost	55,534	55,534	55,534
Less: Accumulated impairment loss	(31,996)	(5,000)	(5,000)
	23,538	50,534	50,534

During the financial year, the Company recognised an impairment loss of RM26,996,000 to adjust the carrying amount of the investment in a subsidiary to its estimated recoverable amount.

Details of the subsidiaries (direct and indirect) are shown in Note 3 to the financial statements.

6. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the followings:

	Assets			Liabilities			Net		
Group	**30.6.2013 RM'000**	**30.6.2012 RM'000**	**1.7.2011 RM'000**	**30.6.2013 RM'000**	**30.6.2012 RM'000**	**1.7.2011 RM'000**	**30.6.2013 RM'000**	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Property, plant and equipment	-	-	-	(1,015)	(757)	(798)	(1,015)	(757)	(798)
Other deductible temporary differences	143	177	244	-	-	-	143	177	244
Tax losses carry forwards	1,893	1,550	1,663	-	-	-	1,893	1,550	1,663
Investment in a foreign subsidiary	-	-	-	-	-	(135)	-	-	(135)
Other items	3	-	(15)	-	-	-	3	-	(15)
Tax assets/(liabilities)	2,039	1,727	1,892	(1,015)	(757)	(933)	1,024	970	959
Set off of tax	(1,015)	(757)	(798)	1,015	757	798	-	-	-
Net tax assets/(liabilities)	1,024	970	1,094	-	-	(135)	1,024	970	959

Deferred tax assets and liabilities are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

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6. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

Group	**At 1.7.2011 RM'000**	**Recognised in profit or loss (Note 17) RM'000**	**At 30.6.2012/ 1.7.2012 RM'000**	**Recognised in profit or loss (Note 17) RM'000**	**At 30.6.2013 RM'000**
Property, plant and equipment	(798)	41	(757)	(258)	(1,015)
Other deductible temporary differences	244	(67)	177	(34)	143
Tax losses carry forwards	1,663	(113)	1,550	343	1,893
Investment in a foreign subsidiary	(135)	135	-	-	-
Other items	(15)	15	-	3	3
	959	11	970	54	1,024

7. Inventories

	Group 30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Raw materials	2,435	1,961	1,131
Work-in-progress	729	732	414
Finished goods	596	258	58
	3,760	2,951	1,603

Recognised in profit or loss:

Inventories recognised as cost of sales	46,766	40,633	18,413
Reversal of write-down	(52)	(202)	(226)
	46,714	40,431	18,187

8. Trade and other receivables

	Group			Company		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**	**30.6.2013 RM'000**	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Trade						
Trade receivables	17,483	12,064	9,119	-	-	-
Less: Allowance for impairment loss	(40)	(40)	(40)	-	-	-
	17,443	12,024	9,079	-	-	-
Non-trade						
Other receivables	7	149	342	1	1	-
Deposits	145	116	36	2	2	2
Prepayments	827	1,071	984	10	10	10
	979	1,336	1,362	13	13	12
	18,422	13,360	10,441	13	13	12

Included in trade receivables are amount due from related companies of RM7,181,000 (2012: RM5,352,000) and it is unsecured, interest free and subject to the normal trade terms.

9. Cash and cash equivalents

	Group			Company		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**	**30.6.2013 RM'000**	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Deposits placed with licensed financial institutions	6,300	6,974	7,155	6,300	6,974	7,155
Cash and bank balances	4,582	3,833	4,556	395	61	48
	10,882	10,807	11,711	6,695	7,035	7,203

Included in the cash and bank balances are the following balances placed with a related company arising from normal business transactions:

	Group			Company		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**	**30.6.2013 RM'000**	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Cash and bank balances	3,378	2,854	320	42	61	48

10. Share capital

	Group and Company			
	2013		2012	
	No. of Shares '000	Amount RM'000	No. of Shares '000	Amount RM'000
Ordinary shares of RM1.00 each				
Authorised:				
At 1 July/ 30 June	350,000	350,000	350,000	350,000
Issued and fully paid:				
At 1 July/ 30 June	62,188	62,188	62,188	62,188

11. Reserves

	Group			Company		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Non-distributable						
Translation reserve	1	222	-	-	-	-
Accumulated losses	(38,659)	(38,732)	(39,616)	(32,492)	(5,234)	(4,817)
	(38,658)	(38,510)	(39,616)	(32,492)	(5,234)	(4,817)

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries with functional currencies other than Ringgit Malaysia.

12. Employee benefits

(a) Retirement Benefits

	Group and Company 2013 RM'000	Group and Company 2012 RM'000
At 1 July	153	266
Reversal	(24)	(67)
Payments	(9)	(46)
At 30 June	120	153

(b) Share based payments

The shareholders of the Company had, at its Extraordinary General Meeting held on 24 October 2005, approved the establishment of a ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company ("ESOS").

No options were granted as at 30 June 2013 in respect of the ESOS.

13. Trade and other payables

	Group			Company		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Trade						
Trade payables	17,811	12,180	5,969	-	-	-
Non-trade						
Amount due to related companies	98	93	28	-	-	-
Amount due to a subsidiary	-	-	-	332	303	114
Other payables	1,112	848	3,330	-	-	-
Derivatives	-	-	4	-	-	-
Accrued expenses	584	969	1,410	218	325	266
	1,794	1,910	4,772	550	628	380
	19,605	14,090	10,741	550	628	380

The amounts due to related companies and subsidiary are unsecured, interest free and repayable on demand.

14. Borrowings (unsecured)

	Group		
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Current			
Bankers' acceptances	-	-	400
Revolving credits	-	-	1,000
	-	-	1,400

The borrowings were subject to interest at rates ranging from 3.26% to 3.58% per annum. The borrowings had been fully settled during the previous financial year.

15. Revenue

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods	10,253	13,841	-	-
Contract revenue	48,770	39,221	-	-
Dividend income	242	214	185	214
	59,265	53,276	185	214

Company No. 62227-X

16. Profit/(Loss) before taxation

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Statutory audit				
- Holding company's auditor	42	37	27	22
- Other auditors	4	14	-	-
Other services				
- Holding company's auditor	13	13	13	13
Bad debts written off	311	-	-	-
Depreciation of property, plant and equipment	653	715	-	-
Finance costs	-	26	-	-
Directors' remuneration (Key management personnel)				
Executive Directors				
- Fees[N1]	-	58	-	58
Non-Executive Directors				
- Fees	120	152	120	152
- Other emoluments	46	65	46	65
	166	217	166	217
Personnel expenses:				
Wages, salaries and others	6,573	6,060	-	-
Contribution to Employees Provident Fund	546	454	-	-
Impairment loss on investment in a subsidiary	-	-	26,996	-
Rental of premises	13	13	13	13
Dividend income - unquoted fund	(242)	(214)	(185)	(214)
Finance income	(42)	(59)	(16)	(17)
Gain on disposal of property, plant and equipment	(22)	(29)	-	-
Loss/(Gain) on foreign exchange				
- Realised	17	(166)	-	-
- Unrealised	13	(10)	-	-
Reversal for retirement benefits	(24)	(67)	-	-
Reversal of impairment loss on inventories	(52)	(202)	-	-
	=====	=====	=====	=====

[N1] These fees have been assigned in favour of the company where the Directors are employed.

Company No. 62227-X

17. Taxation

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current tax expense				
Malaysian - current year	8	10	1	2
- prior years	1	2	(2)	2
Overseas - current year	43	147	-	-
- prior years	-	56	-	-
	52	215	(1)	4
Deferred tax expense				
Reversal and origination of temporary differences				
- Malaysian	(120)	308	-	-
- Overseas	-	(135)	-	-
Under/(Over) provision in prior years	66	(184)	-	-
	(54)	(11)	-	-
	(2)	204	(1)	4

The reconciliation of income tax applicable to profit/(loss) before taxation at the statutory income tax rate to income tax at the effective tax rate of the Group and of the Company are as follows:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit/(Loss) before taxation	71	1,088	(27,259)	(413)
Taxation at Malaysian statutory tax rate of 25%	18	272	(6,815)	(103)
Tax at foreign tax rates	43	12	-	-
Non-deductible expenses	214	224	6,862	159
Double deduction of expenses	-	(124)	-	-
Non-taxable income	(344)	(54)	(46)	(54)
	(69)	330	1	2
Under/(Over) provision in prior years	67	(126)	(2)	2
Taxation	(2)	204	(1)	4

18. Earnings per ordinary share

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM73,000 (2012: RM884,000) by the weighted average number of ordinary shares outstanding during the financial year of 62,188,000 (2012: 62,188,000).

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the current financial year as the Group does not have dilutive instruments.

19. Operating segment

The Board of Directors reviews internal management reports at least on a quarterly basis. Operating segments are components in which separate financial information that is available and is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing its performance. The Group has identified the business of design, manufacture and supply of furniture and interior design fit-out works as its sole operating segment.

Segment profit

Performance is measured based on segment profit before finance income, finance costs and taxation as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

Segment assets information is not presented to the Board of Directors and hence, no disclosure is made on the segment asset.

Segment liabilities

Segment liabilities information is not presented to the Board of Directors and hence, no disclosure in made on segment liability.

Segment capital expenditure

Segment capital expenditure information is not presented to the Board of Directors and hence, no disclosure is made on segment capital expenditure.

19. Operating segment (continued)

Information about reportable segment

	Design, manufacturing supply of furniture and interior design fit-out works	
	2013	**2012**
	RM'000	**RM'000**
Reportable segment profit	253	1,485
	=====	=====
Included in the measure of segment profit are:		
Revenue from external customers	59,023	53,062
Depreciation	(653)	(715)
	=====	=====

Reconciliation of reportable segment profit/(loss) and revenue

	2013	2012
	RM'000	**RM'000**
Profit/(Loss)		
Reportable segment	253	1,485
Non-reportable segment	(224)	(430)
Finance costs	-	(26)
Finance income	42	59
Consolidated profit before taxation	71	1,088
	=====	=====
Revenue		
Reportable segment	59,023	53,062
Non-reportable segment	242	214
Consolidated revenue	59,265	53,276
	=====	=====

19. Operating segment (continued)

Geographical segments

Revenue of the Group by geographical locations of the customers is as follows:

	Revenue	
	2013	**2012**
	RM'000	**RM'000**
United States of America	1,012	4,821
Malaysia	49,198	39,547
Europe	4,995	4,961
Others	4,060	3,947
	59,265	53,276
	=====	=====

Non-current assets of the Group are maintained within Malaysia as at the end of the current and previous financial year.

Major customer

Revenue from a customer of the Group amounting to RM23,986,000 (2012: RM29,813,000) contributed to more than 10% of the Group's revenue.

20. Related parties

The Group has related party transactions with corporations which are related to the Directors and/or major shareholders of the Company and/or related corporations and/or persons connected with them as follows:

i. Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company through Hong Leong Manufacturing Group Sdn Bhd. YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company, and a Director and major shareholder of HLCM. YBhg Datuk Kwek Leng San is a Director of the Company and HLCM, and a shareholder of HLCM. Mr Kwek Leng Beng is a Director of HLCM and a major shareholder of the Company and HLCM. Mr Quek Leng Chye and Mr Kwek Leng Kee are major shareholders of the Company and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Beng and Mr Kwek Leng Kee;

20. Related parties (continued)

ii. HLMG Management Co Sdn Bhd ("HMMC"), Hong Leong Assurance Berhad ("HLA") and GuoLine Intellectual Assets Limited ("GIAL") are subsidiaries of HLCM; and

iii. Guardian Security Consultants Sdn. Bhd. ("GSC") is an indirect associate of HLCM.

Significant transactions with related parties are as follows:

		Group	
		2013	**2012**
Transaction	**Related party**	**RM'000**	**RM'000**
a) Rental of shared office space	HMMC	13	13
b) Receipt of security guard services	GSC	67	75
c) Receipt of group management and/or support services	Subsidiaries of HLCM	491	437
d) Payment for usage of the Hong Leong logo and trade mark	GIAL	9	9
e) Purchase of goods	Subsidiaries of HLCM	23	-
f) Sale of furniture and interior design fit-out works	Subsidiaries of HLCM	(30,936)	(31,076)
g) Sale proceed on disposal of motor vehicles	Subsidiaries of HLCM	(95)	-

Significant balances with related parties at the reporting date are disclosed in Note 8 and Note 13 to the financial statements.

The above transactions have been carried out on commercial terms consistent with the usual business practices and policies of the Group and of the Company.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group.

There are no transactions with any key management personnel during the year other than Directors' remuneration as disclosed in Note 16.

21. Financial instruments

21.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"); and
(c) Other financial liabilities measured at amortised cost ("OL")

	Carrying amount			**L&R**		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**	**30.6.2013 RM'000**	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Financial assets						
Group						
Trade and other receivables (excluding prepayments)	17,595	12,289	9,457	17,595	12,289	9,457
Cash and cash equivalents	10,882	10,807	11,711	10,882	10,807	11,711
	28,477	23,096	21,168	28,477	23,096	21,168
Company						
Trade and other receivables (excluding prepayments)	3	3	2	3	3	2
Cash and cash equivalents	6,695	7,035	7,203	6,695	7,035	7,203
	6,698	7,038	7,205	6,698	7,038	7,205

21. Financial instruments (continued)

21.1 Categories of financial instruments (continued)

	Carrying amount RM'000	OL RM'000	FVTPL RM'000
30 June 2013			
Financial liabilities			
Group			
Trade and other payables	19,605	19,605	-
Company			
Trade and other payables	550	550	-
30 June 2012			
Financial liabilities			
Group			
Trade and other payables	14,090	14,090	-
Company			
Trade and other payables	628	628	-
1 July 2011			
Financial liabilities			
Group			
Loans and borrowings	1,400	1,400	-
Trade and other payables, including derivatives	10,741	10,737	4
	12,141	12,137	4
Company			
Trade and other payables	380	380	-

21.2 Net (gains) and losses arising from financial instrument

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net (gains)/losses on:				
Loans and receivables	299	(235)	(16)	(17)
Other liabilities	-	26	-	-
	299	(209)	(16)	(17)

21. Financial instruments (continued)

21.3 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

21.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed only on customers requiring credit.

As at the end of reporting period, there were no significant concentrations of credit risk other than two customers which represent 63% (2012: one customer-45%) of trade receivables. The maximum exposure to credit risk for the Group and the Company is represented by the carrying amount of each financial asset.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

21. Financial instruments (continued)

21.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables, net of allowance for impairment losses, as at the end of the reporting period by geographic region was:

	Group		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Malaysia	16,727	11,062	5,133
Philippines	-	-	3,190
Others	716	962	756
	17,443	12,024	9,079

Impairment losses

The ageing of receivables as at the end of the reporting period was:

	Gross RM'000	**Individual impairment RM'000**	**Net RM'000**
30 June 2013			
Not past due	8,508	-	8,508
Past due 0 - 30 days	4,289	-	4,289
Past due 31 days to 120 days	2,745	-	2,745
Past due more than 120 days	1,941	(40)	1,901
	17,483	(40)	17,443

21. Financial instruments (continued)

21.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

	Gross RM'000	Individual impairment RM'000	Net RM'000
30 June 2012			
Not past due	7,040	-	7,040
Past due 0 - 30 days	1,894	-	1,894
Past due 31 days to 120 days	829	-	829
Past due more than 120 days	2,301	(40)	2,261
	12,064	(40)	12,024
1 July 2011			
Not past due	7,782	-	7,782
Past due 0 - 30 days	825	-	825
Past due 31 days to 120 days	98	-	98
Past due more than 120 days	414	(40)	374
	9,119	(40)	9,079

There were no movements in the allowance for impairment losses of receivables during the financial year.

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's and Company's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed with reputable financial institutions.

21. Financial instruments (continued)

21.4 Credit risk (continued)

Cash and cash equivalents (continued)

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that cash and cash equivalents were not recoverable.

21.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group and the Company actively manages their operating cash flows and the availability of fundings so as to ensure that all repayments and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash to meet their working capital requirements.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

30 June 2013	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
Group				
Non-derivative financial liabilities				
Trade and other payables	19,605	-	19,605	19,605
	======		=====	=====
Company				
Non-derivative financial liabilities				
Trade and other payables	550	-	550	550
	======		=====	=====

21. Financial instruments (continued)

21.5 Liquidity risk (continued)

Maturity analysis (continued)

30 June 2012	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
Group				
Non-derivative financial liabilities				
Trade and other payables	14,090	-	14,090	14,090
	======		=====	=====
Company				
Non-derivative financial liabilities				
Trade and other payables	628	-	628	628
	======		=====	=====
1 July 2011				
Group				
Non-derivative financial liabilities				
Borrowings	1,400	3.26% - 3.58%	1,400	1,400
Trade and other payables	10,737	-	10,737	10,737
	12,137		12,137	12,137
Derivative financial liabilities				
Forward exchange contracts (gross settled):				
Outflow	4	-	553	553
Inflow	-	-	(549)	(549)
	12,141		12,141	12,141
	=====		=====	=====
Company				
Non-derivative financial liabilities				
Trade and other payables	380	-	380	380
	=====		======	======

21. Financial instruments (continued)

21.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's financial position or cash flows.

21.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD") and Euro ("EURO").

Risk management objectives, policies and processes for managing the risk

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	**30.6.2013 RM'000**	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Trade receivables denominated in:			
USD	716	963	681
EURO	-	-	75
	===	===	====

Currency risk sensitivity analysis

A 5% strengthening/(weakening) of the Ringgit Malaysia against the following currencies at the end of the reporting period would have (decreased)/increased profit before taxation of the Group by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

21. Financial instruments (continued)

21.6 Market risk (continued)

21.6.1 Currency risk (continued)

Group	Profit or loss 2013 RM'000	Profit or loss 2012 RM'000
USD	36	48
	====	====

21.6.2 Interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group			Company		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Fixed rate instruments						
Financial assets	6,300	6,974	7,155	6,300	6,974	7,155
Financial liabilities	-	-	(1,400)	-	-	-
	=====	=====	====	====	=====	====

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

21. Financial instruments (continued)

21.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

22. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

Under Practice Note No. 17/2005 of Bursa Malaysia Securities Berhad Main Listing Requirements, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

23. Capital and other commitments

		Group			Company	
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Plant and equipment						
Authorised and contracted for	292	-	-	-	-	-
	=====	=====	====	====	=====	====

24. Explanation of transition to MFRSs

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2.2 have been applied in preparing the financial statements of the Group and the Company for the financial year ended 30 June 2013, the comparative information presented in these financial statements for the financial year ended 30 June 2012 and in the preparation of the opening MFRS statement of financial position at 1 July 2011 (the Group's date of transition to MFRSs).

In preparing the opening consolidated statement of financial position at 1 July 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position is set out as follows:

Company No. 62227-X

24. Explanation of transition to MFRSs (continued)

24.1 Reconciliation of financial position

	Note	1.7.2011 FRSs RM'000	1.7.2011 Effect of transition to MFRSs RM'000	1.7.2011 MFRSs RM'000	30.6.2012 FRSs RM'000	30.6.2012 Effect of transition to MFRSs RM'000	30.6.2012 MFRSs RM'000
Assets							
Property, plant and equipment		10,299	-	10,299	9,762	-	9,762
Goodwill	24.2	36,428	(36,428)	-	36,428	(36,428)	-
Deferred tax assets		1,094	-	1,094	970	-	970
Total non-current assets		47,821	(36,428)	11,393	47,160	(36,428)	10,732
Inventories		1,603	-	1,603	2,951	-	2,951
Trade and other receivables		10,441	-	10,441	13,360	-	13,360
Current tax assets		2	-	2	71	-	71
Cash and cash equivalents		11,711	-	11,711	10,807	-	10,807
Total current assets		23,757	-	23,757	27,189	-	27,189
Total assets		71,578	-	35,150	74,349	-	37,921
Equity attributable to owners of the Company							
Share capital		62,188	-	62,188	62,188	-	62,188
Reserves	24.2	(3,188)	(36,428)	(39,616)	(2,082)	(36,428)	(38,510)
Total equity		59,000	(36,428)	22,572	60,106	(36,428)	23,678
Liabilities							
Employee benefits		266	-	266	153	-	153
Deferred tax liabilities		135	-	135	-	-	-
Total non-current liabilities		401	-	401	153	-	153
Trade and other payables		10,741	-	10,741	14,090	-	14,090
Borrowings (unsecured)		1,400	-	1,400	-	-	-
Current tax liabilities		36	-	36	-	-	-
Total current liabilities		12,177	-	12,177	14,090	-	14,090
Total liabilities		12,578	-	12,578	14,090	-	14,090
Total equity and liabilities		71,578	(36,428)	35,150	74,349	(36,428)	37,921

24. Explanation of transition to MFRSs (continued)

24.2 Notes to reconciliations

a) Business combinations

All business combinations were previously accounted for using acquisition method where goodwill that arose from business combinations were measured at cost less accumulated impairment. As at the date of transition to MFRS 1, business combinations involving acquisition of common control companies (prior to the date of transition to MFRS 1) are accounted for using book value method and consequently, the related goodwill (net of accumulated amortisation) was reversed and adjusted to the accumulated losses of the Group.

b) Foreign currency translation reserve

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

The impact arising from the change is summarised as follows:

	Group	
	1.7.2011	**30.6.2012**
	RM'000	**RM'000**
Consolidated statement of financial position		
Goodwill	(36,428)	(36,428)
Translation reserve	(147)	(147)
Adjustment to accumulated losses	(36,575)	(36,575)

25. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the accumulated losses of the Group and of the Company as at 30 June 2013, into realised and unrealised profits/(losses), are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total accumulated losses of the Company and its subsidiaries:				
- realised	(29,947)	(2,253)	(32,492)	(5,234)
- unrealised	1,011	980	-	-
	(28,936)	(1,273)	(32,492)	(5,234)
Less: Consolidation adjustments	(9,723)	(37,459)	-	-
Total accumulated losses	(38,659)	(38,732)	(32,492)	(5,234)

The determination of realised and unrealised profits/(losses) is based on 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*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Narra Industries Berhad
(Company No. 62227-X)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 6 to 59 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 of 30 June 2013 of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 25 on page 60 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board

……………………………………………………….
Datuk Kwek Leng San

……………………………………………..………….
Datuk Syed Zaid bin Syed Jaffar Albar

Kuala Lumpur

27 August 2013

Narra Industries Berhad
(Company No. 62227-X)
(Incorporated in Malaysia)
and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Soon Seong Keat, being the officer primarily responsible for the financial management of Narra Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 60 are, to the best of my knowledge and belief, 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 above named, Soon Seong Keat in Kuala Lumpur in the Federal Territory on 27 August 2013.

…………………….……………..
Soon Seong Keat

Before me:

Commissioner For Oaths
Kuala Lumpur

Independent auditors' report to the members of Narra Industries Berhad

(Company No. 62227-X)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Narra Industries Berhad which comprise the statements of financial position as at 30 June 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 59.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 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.

Company No. 62227-X

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 3 to the financial statements.

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

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 25 on page 60 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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Other Matters

As stated in Note 2.1 to the financial statements, Narra Industries Berhad adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 30 June 2012 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the year then ended.

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.

KPMG
Firm Number: AF 0758
Chartered Accountants

Adrian Lee Lye Wang
Approval Number: 2679/11/13(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 27 August 2013