

auditor's report to the members of london biscuits berhad

We have audited the financial statements set out on pages 37 to 58. These financial statements are the responsibility of the Company's Directors. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Company as at 30th June, 2003 and of its results and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;

and

- (b) the accounting and other records, and the registers required by the Companies Act, 1965 to be kept by the Company, have been properly kept in accordance with the provisions of the said Act.

WONG WENG FOO & CO.
AF: 0829
CHARTERED ACCOUNTANTS

KUALA LUMPUR
Dated this: 30th October 2003

WONG WENG FOO
1218/03/04 (J/PH)

directors' report

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 30th June, 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of manufacturing and trading of confectionery and other related foodstuffs. There was no significant change in the nature of these principal activities during the financial year.

RESULTS

RM

Profit after taxation	8,946,328
Retained profit brought forward	
As previously reported	16,737,600
Prior years' adjustment (Note 25 to the Notes to the Financial Statements)	(5,684,000)
As restated	11,053,600
Profit available for appropriation	19,999,928
First and final dividend paid of 5%, tax exempt	(2,000,000)
Retained profit carried forward	17,999,928

In conjunction with the corporate proposals set out in the latter paragraphs of our report, the Company forecasted its profit before taxation for the year ended 30th June, 2003 to be RM11,503,000. The Board is pleased to announce hereon that the Company is well on target achieving a profit before taxation amounting to RM11,081,112, which is less than 4 percent of the profit forecasted.

DIVIDENDS

Since the end of the previous financial year, a tax exempt first and final dividend of 5% for the financial year ended 30th June, 2002 was paid on 28th February, 2003 amounting to RM2,000,000, based on the issued and paid-up share capital of 40,000,000 ordinary shares at RM1.00 each.

The directors propose a tax exempt first and final dividend of RM3,300,000 in respect of the financial year ended 30th June, 2003, payable upon shareholders' approval after the conclusion of the forthcoming Annual General Meeting.

ISSUE OF SHARES OR DEBENTURES

The Company's entire paid-up share capital comprising 40,000,000 ordinary shares of RM1.00 each was officially quoted on the Second Board of the Kuala Lumpur Stock Exchange on 31st January, 2002.

There were no issue of shares or debentures during the financial year.

The Company had submitted to the relevant authorities on the 11th February, 2003, for approval of the following Corporate Proposals.

- i) Proposed Increase in Authorised Share Capital of the Company from RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each to RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each;
- ii) Proposed Rights Issue of 10,000,000 new ordinary shares of RM1.00 each ("Rights Shares") on a renounceable basis of one (1) new ordinary share of RM1.00 each for every four (4) existing ordinary shares of RM1.00 each held in the Company at indicative issue price of RM1.05 per Rights Share;
- iii) Proposed Bonus Issue of 10,000,000 new ordinary shares of RM1.00 each ("Bonus Shares") to be credited as fully paid-up on the basis of one (1) Bonus Share for every one (1) Rights Share subscribed by the Shareholders of the Company and their renounees to the Rights Shares pursuant to the Proposed Rights Issue;
- iv) Proposed Private Placement of up to 6,000,000 new ordinary shares of RM1.00 each, representing not more than 10% of the enlarged issued and paid-up share capital of the Company after the Proposed Rights Issue and Proposed Bonus Issue; and
- v) Proposed Establishment of an Employees Share Option Scheme by the Company for the eligible Employees and Directors.

These mentioned proposals are meant to raise additional working capital for the Company and for an eventual aim to seek a transfer of the Company's listing status to the Main Board of the Kuala Lumpur Stock Exchange.

Subsequent to 30th June, 2003, the Company has completed its Corporate Proposals on items (i) to (iii) and on 5th September, 2003 the Company gained its listing status on the Main Board of the Kuala Lumpur Stock Exchange.

OPTIONS GRANTED OVER UNISSUED SHARES

No share options were granted by the Company during the financial year.

RESERVES AND PROVISIONS

Other than as disclosed in the financial statements, there were no material transfers to or from reserves or provisions during the financial year.

BAD AND DOUBTFUL DEBTS

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and are satisfied that there are no known bad debts and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would require the writing off of bad debts or render the amount of allowance made for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain whether any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- i) any charge on the assets of the Company that has arisen since the end of the financial year that secures the liabilities of any other person; or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company 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 Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or in the financial statements of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS OF THE COMPANY

The Directors who served since the date of the last report are as follows:-

Dato' Liew Kuek Hin, DIMP, PJK, JP
Datin Lim Yook Lan
Dato' Liew Yew Chung, DIMP
Liew Yew Cheng
Liew Yet Mei
Liew Yet Lee
Dato' Cheong Siew Kai, DJMK, AMS, JP
Dato' Mohamed Salleh Bin Bajuri, DPTJ
Tan Poay Teik
Huang Yan Teo, PIS

DIRECTORS' INTEREST

According to the register of directors shareholdings, the interest of directors in office at the end of the financial year in shares of the Company during the financial year ended 30th June, 2003 are follows:-

	No. of ordinary shares of RM1 each		
	Balance at 1.7.2002	Bought	Sold
			Balance at 30.6.2003
Dato' Liew Kuek Hin, DIMP, PJK, JP (Executive Chairman)			
- direct	1,210,510	1,338,800	402,000
- indirect	21,332,842	2,833,400	2,678,000
			2,147,310
			21,488,242

DIRECTORS' INTEREST (continued)

	No. of ordinary shares of RM1 each		
	Balance at 1.7.2002	Bought	Sold
			Balance at 30.6.2003
Datin Lim Yook Lan (Non-Executive, Non-Independent Director)			
- direct	219,591	—	219,591
- indirect	22,323,761	4,172,200	23,415,961
Dato' Liew Yew Chung, DIMP (Managing Director/ CEO)			
- direct	17,591	2,273,000	1,832,591
- indirect	22,525,761	1,899,200	21,802,961
Liew Yew Cheng (Non-Executive, Non-Independent Director)			
- direct	152,186	—	152,186
- indirect	22,391,166	4,172,200	23,483,366
Liew Yet Mei (Non-Executive, Non-Independent Director)			
- direct	71,737	—	71,737
- indirect	22,471,615	4,172,200	23,563,815
Liew Yet Lee (Non-Executive, Non-Independent Director)			
- direct	71,737	—	71,737
- indirect	22,471,615	4,172,200	23,563,815
Dato' Cheong Siew Kai, DJMK, AMS, JP (Independent Non-Executive Director)			
- direct	—	—	—
- indirect	2,000	—	2,000
Dato' Mohamed Salleh Bin Bajuri, DPTJ (Non-Executive, Non-Independent Director)			
- direct	1,274,600	250,000	1,333,600
- indirect	100,000	100,000	200,000
Tan Poay Teik (Independent Non-Executive Director)			
- direct	—	—	—
- indirect	100,000	543,300	561,300
Huang Yan Teo, PIS (Independent Non-Executive Director)			
- direct	—	—	—
- indirect	—	—	—

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than as disclosed in the financial statements) 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 a Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

The auditors, Messrs Wong Weng Foo & Co., have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28th October 2003.

DATO' LIEW KUEK HIN, DIMP, PJK, JP
Director

DATO' LIEW YEW CHUNG, DIMP
Director

KUALA LUMPUR
30th October 2003

balance sheet as at 30th june 2003

	Note	2003 RM	As restated 2002 RM
ASSETS EMPLOYED			
PROPERTY, PLANT AND EQUIPMENT	3	79,628,467	68,690,091
INVESTMENTS	4	8,190	15,376
CURRENT ASSETS			
Inventories	5	8,698,288	4,613,961
Trade receivables	6	20,908,330	18,715,153
Other receivables, deposits & prepayments	7	9,628,500	8,268,540
Fixed deposits with licensed banks	8	2,002,757	1,468,027
Cash & bank balances		8,212,800	63,357
		49,450,675	33,129,038
LESS: CURRENT LIABILITIES			
Trade payables		7,184,494	6,442,173
Bankers' acceptances & trust receipts	9	29,500,000	19,300,000
Other payables & accruals	10	2,753,291	1,247,634
Hire-purchase creditors	11	3,748,230	3,653,084
Term loans	9	2,594,423	50,365
Bank overdrafts	9	261,395	716,734
Taxation		1,013,946	1,696,852
		47,055,779	33,106,842
NET CURRENT ASSETS		2,394,896	22,196
		82,031,553	68,727,663
FINANCED BY			
SHARE CAPITAL	12	40,000,000	40,000,000
SHARE ALLOTMENT MONIES	13	7,242,566	—
RESERVES	14	23,294,579	16,348,251
SHAREHOLDERS' FUNDS		70,537,145	56,348,251
LONG TERM LIABILITIES			
Hire-purchase creditors	11	3,305,441	5,848,575
Term loans	9	96,967	146,837
Deferred taxation	15	8,092,000	6,384,000
		82,031,553	68,727,663

The attached notes form an integral part of the Financial Statements

income statement for the year ended 30th june 2003

		2003	As restated
	Note	RM	2002
			RM
OPERATING REVENUE		52,743,984	43,656,741
COST OF SALES		(32,862,084)	(26,530,766)
GROSS PROFIT		19,881,900	17,125,975
SELLING & DISTRIBUTION EXPENSES		(1,790,340)	(2,242,950)
ADMINISTRATIVE EXPENSES		(5,351,754)	(3,945,517)
OTHER OPERATING INCOME		327,284	116,426
PROFIT FROM OPERATIONS		13,067,090	11,053,934
FINANCE COST	16	(1,987,238)	(1,753,842)
EXCEPTIONAL ITEMS	17	–	96,501
INVESTMENT INCOME		1,260	360
PROFIT BEFORE TAXATION	16	11,081,112	9,396,953
TAXATION	18	(2,134,784)	(2,520,000)
PROFIT AFTER TAXATION		8,946,328	6,876,953
EARNINGS PER SHARE (sen)	19	22.37	20.67

The attached notes form an integral part of the Financial Statements

statement of changes in equity for the year ended 30th June 2003

	Share capital (Note 12) RM	Share allotment monies (Note 13) RM	Share premium (Note 14) RM	Revaluation reserve (Note 14) RM	Retained profit (Note 14) RM	Total RM
At 1st July 2001						
As previously reported	7,500,000	–	–	–	27,147,160	34,647,160
Prior years adjustment (Note 25)	–	–	–	–	(3,861,000)	(3,861,000)
As restated	7,500,000	–	–	–	23,286,160	30,786,160
Surplus arising from revaluation of freehold land and buildings	–	–	–	1,402,487	–	1,402,487
Bonus issue	19,109,513	–	–	–	(19,109,513)	–
Increased during the year	13,390,487	–	5,249,000	–	–	18,639,487
Listing expenses written off	–	–	(1,356,836)	–	–	(1,356,836)
Profit after taxation						
As previously reported	–	–	–	–	8,699,953	8,699,953
Prior years adjustment (Note 25)	–	–	–	–	(1,823,000)	(1,823,000)
As restated	–	–	–	–	6,876,953	6,876,953
At 30th June 2002/ 1st July 2002	40,000,000	–	3,892,164	1,402,487	11,053,600	56,348,251
First and final dividend paid of 5%, tax exempt	–	–	–	–	(2,000,000)	(2,000,000)
Share application monies received	–	7,242,566	–	–	–	7,242,566
Profit after taxation	–	–	–	–	8,946,328	8,946,328
At 30th June 2003	40,000,000	7,242,566	3,892,164	1,402,487	17,999,928	70,537,145

The attached notes form an integral part of the Financial Statements

cash flow statement for the year ended 30th june 2003

	2003 RM	2002 RM
Cash Flow From Operating Activities		
Profit before taxation	11,081,112	9,396,953
Adjustments for:-		
Allowance for diminution in value of investments	7,186	–
Depreciation		
- current year	5,539,580	4,387,148
- reversal	–	(1,976)
Gain on sale of property, plant and equipment	–	(13,613)
Dividend income	(1,260)	(360)
Interest expense	1,987,238	1,753,842
Interest income	(35,210)	(34,092)
Operating profit before working capital changes	18,578,646	15,487,902
(Increase)/ Decrease in inventories	(4,084,327)	254,058
Increase in receivables	(3,553,137)	(5,618,168)
Increase in payables	2,247,978	964,033
Cash generated from operations	13,189,160	11,087,825
Dividend received	958	259
Dividend paid	(2,000,000)	–
Interest paid	(1,987,238)	(1,753,842)
Tax paid	(1,109,388)	(864,163)
Interest received	36,098	67,204
Net cash provided by operating activities	8,129,590	8,537,283
Cash Flow From Investing Activities		
Listing expenses	–	(1,356,836)
Purchase of property, plant and equipment	(16,477,956)	(22,221,976)
Reversal of property, plant and equipment	–	29,626
Proceeds from sale of property, plant and equipment	–	76,313
Net cash used in investing activities	(16,477,956)	(23,472,873)

	2003 RM	2002 RM
Cash Flow From Financing Activities		
hares subscription monies	7,242,566	18,639,487
Net increase in bankers' acceptances & trust receipts	10,200,000	3,062,287
Financing from term loans	2,540,000	-
Repayment of term loans	(45,812)	(6,228,100)
Financing from hire-purchase creditors	1,582,106	5,797,046
Hire-purchase instalments paid	(4,030,094)	(3,457,829)
Net cash provided by financing activities	17,488,766	17,812,891
Net changes in cash & cash equivalents	9,140,400	2,877,301
Cash & cash equivalents brought forward (Note 20)	813,762	(2,063,539)
Cash & cash equivalents carried forward (Note 20)	9,954,162	813,762

The attached notes form an integral part of the Financial Statements

notes to the financial statements

30th june 2003

1. PRINCIPAL ACTIVITIES

The principal activities of the Company consist of manufacturing and trading of confectionery and other related foodstuffs.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

The financial statements of the Company have been prepared under the historical cost convention as modified by the revaluation of certain of the Company's freehold land and buildings, unless otherwise indicated in this summary of significant accounting policies below and in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia ("MASB").

The Company restated the financial statements in respect of prior years to incorporate the effect on adoption of MASB 25 - Income Taxes. This change in accounting policy resulted in an additional, RM1,708,000 deferred taxation charge for the current year and an additional RM5,684,000 deferred taxation charge in respect of prior years.

2.2 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost as modified by revaluation of certain freehold land and buildings less accumulated depreciation.

No depreciation is provided on freehold land and freehold building-in-progress.

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset over the expected useful lives of the assets concerned. The principal annual rates used are as follows:-

Freehold buildings	1%
Plant & machinery	6 2/3%
Motor vehicles	20%
Furniture & fittings	10%
Office & laboratory equipment	10%
Renovations & electrical fittings	10%

2.3 Inventories

Inventories are valued at the lower of cost and net realisable value on the weighted average cost basis. Cost of raw materials comprise the cost of purchase plus the cost of bringing the inventories to their present location and condition. For finished goods and work-in-progress cost consist of raw materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less selling expenses. In arriving at net realisable value, due allowance is made for all obsolete and slow moving inventories.

2.4 Investments

Investments in quoted shares are stated at cost less allowance for permanent diminution in value, if any.

2.5 Receivables

Receivables are stated at cost less allowance for doubtful debts. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

2.6 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, balances and deposits with banks net of outstanding bank overdrafts.

2.7 Payables

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

2.8 Provisions

Provisions are recognised when there is a present obligation, legal or constructive as result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.9 Hire-Purchase

Property, plant and equipment acquire under hire-purchase are capitalised and are depreciated over their useful lives as stated in Note 2.2 and the corresponding obligations relating to the remaining capital payments are treated as liabilities. Finance charges are charged to the income statement over the period of the plan and accounted for on a straight line method.

2.10 Leased Assets

Leased payments for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

2.11 Interest-Bearing Borrowings

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

Borrowing costs directly attributable to the acquisition of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

2.12 Share Capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise it is charged to the income statement.

Dividends to shareholders are recognised in equity in the period in which they are declared or approved by shareholders at general meeting.

2.13 Deferred Taxation

Commencing in the current year, in accordance with MASB 25-Income Taxes, deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reduction will be reversed to the extent of the taxable profit.

In prior years, provision for taxation deferred, is made by the liability method, in respect of all timing difference except where it can be reasonably demonstrated that the timing differences of such deferrals will continue in the foreseeable future. Deferred assets are not recognised unless there is a reasonable expectation of their crystallization. The accounting policy has been changed in the current year to comply with MASB 25-Income Taxes. This change has been accounted for retrospectively and the effects of this change are disclosed in Note 25.

2.14 Foreign Currencies

Foreign currency transactions are converted into Ringgit Malaysia at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at the exchange rates ruling at that date. All exchange gains and losses are taken up in the income statement.

The principal closing rates used in translation are as follows:-

Foreign currency	2003 RM	2002 RM
1 US Dollar	3.8	3.8
1 Australian Dollar	2.5	2.1
1 Singapore Dollar	2.1	2.1
1 Euro	4.3	3.7

2.15 Impairment of Assets

The carrying values of assets other than inventories are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

2.16 Financial instruments

- i) Financial instruments carried on the balance sheet include cash and bank balances, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

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

- ii) Fair value estimation for disclosure purposes
 - (a) The carrying amounts of financial assets and liabilities with a maturity of less than one year assumed to approximate their fair values.
 - (b) The fair values of publicly traded securities are estimated based on quoted market prices at the balance sheet date.
 - (c) The fair values of long term borrowings and hire-purchase creditors are estimated using discounted cash flow analysis at current market interest rate available for similar types of lending and borrowing arrangements.

2.17 Revenue

Operating revenue of the Company represents invoiced value of goods sold net of returns and discounts.

Revenue Recognition

- i) Revenue from sale of goods is recognised when the goods are delivered.
- ii) Other sources of income earned by the Company including interest income, rental income and consultancy income are recognised on an accrual basis.
- iii) Dividend income from investment in quoted shares is accounted for in the Company's income statement when the Company's right to receive payment is established.

3. PROPERTY, PLANT AND EQUIPMENT

2003	At valuation			At cost					
	Freehold land & buildings	Freehold building-in-progress	Plant & machinery	Motor vehicles	Furniture & fittings	Office & laboratory equipment	Renovations & electrical fittings	Total	
COST/ VALUATION	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1st July	11,262,485	1,500,475	62,733,610	2,416,925	1,210,097	1,021,722	2,225,385	82,370,699	
Additions	-	2,590,456	11,084,972	65,000	1,677,460	173,904	886,164	16,477,956	
Disposals	-	-	-	-	-	-	-	-	
At 30th June	11,262,485	4,090,931	73,818,582	2,481,925	2,887,557	1,195,626	3,111,549	98,848,655	
ACCUMULATED DEPRECIATION									
At 1st July	154,166	-	11,075,978	775,837	364,863	233,126	1,076,638	13,680,608	
Charge for the year	77,083	-	4,497,261	435,999	148,731	103,282	277,224	5,539,580	
Disposals	-	-	-	-	-	-	-	-	
At 30th June	231,249	-	15,573,239	1,211,836	513,594	336,408	1,353,862	19,220,188	
NET BOOK VALUE	RM	RM	RM	RM	RM	RM	RM	RM	RM
	11,031,236	4,090,931	58,245,343	1,270,089	2,373,963	859,218	1,757,687	79,628,467	

PROPERTY, PLANT AND EQUIPMENT (continued)

	At valuation			At cost				
2002	Freehold land & buildings	Freehold building-in-progress	Plant & machinery	Motor vehicles	Furniture & fittings	Office & laboratory equipment	Renovations & electrical fittings	Total
COST/ VALUATION	RM	RM	RM	RM	RM	RM	RM	RM
At 1st July	10,062,238	-	44,610,186	1,467,661	569,753	450,703	1,928,561	59,089,102
Additions	-	1,500,475	18,093,042	1,060,264	640,344	571,019	356,832	22,221,976
Disposals	-	-	-	(111,000)	-	-	-	(111,000)
Revaluation reserve	1,200,247	-	-	-	-	-	-	1,200,247
Reclassification	-	-	60,008	-	-	-	(60,008)	-
Reversal	-	-	(29,626)	-	-	-	-	(29,626)
At 30th June	11,262,485	1,500,475	62,733,610	2,416,925	1,210,097	1,021,722	2,225,385	82,370,699
ACCUMULATED DEPRECIATION								
At 1st July	273,199	-	7,543,240	454,255	270,376	175,663	829,243	9,545,976
Charge for the year	83,207	-	3,581,921	369,882	94,487	57,463	200,188	4,387,148
Disposals	-	-	-	(48,300)	-	-	-	(48,300)
Revaluation reserve	(202,240)	-	-	-	-	-	-	(202,240)
Reclassification	-	-	(47,207)	-	-	-	47,207	-
Reversal	-	-	(1,976)	-	-	-	-	(1,976)
At 30th June	154,166	-	11,075,978	775,837	364,863	233,126	1,076,638	13,680,608
NET BOOK VALUE								
	11,108,319	1,500,475	51,657,632	1,641,088	845,234	788,596	1,148,747	68,690,091

PROPERTY, PLANT AND EQUIPMENT (continued)

- a) Details of independent professional valuation of freehold land and buildings owned by the Company at 30th June, 2003 are as follows:

Year of Valuation	Description of Property	Location	Amount RM	Basis of Valuation
2002	Industrial land with office and factory building for manufacturing of corn extruded products	H.S.(D) No. 191719 PTD No. 91908 and H.S.(D) No. 191720 PTD No. 91909 Mukim of Pelentung District of Johor Bahru State of Johor	2,300,000	Comparison Method and Income Approach
2002	Two units of adjoining one and a half storey terrace factory (a corner unit and an intermediate unit) for the manufacturing of bakery products	H.S.(D) No. 191403 PTD No. 89457 and H.S.(D) No. 191404 PTD No. 89458 Mukim of Pelentung District of Johor Bahru State of Johor	1,300,000	Comparison Method and Income Approach
2002	Industrial land with office and factory building for warehouse and manufacturing of bakery products	H.S.(D) No. 237253 Lot PTD No. 115209, H.S.(D) No. 237254 Lot PTD No. 115210, H.S.(D) No. 237255 Lot PTD No. 115211 and H.S.(D) No. 237256 Lot PTD No. 115212 Mukim of Plentong District of Johor Bahru State of Johor	6,600,000	Comparison Method and Income Approach
2002	Double storey semi-detached house	H.S.(D) No. 22041 Lot MLO 2485 Mukim of Plentong District of Johor Bahru State of Johor	450,000	Comparison Method and Cost Method
2002	Office lot within Megan Phileo Avenue	Unit No. B-06-09 Megan Phileo Avenue 12 Jalan Yap Kwan Seng 50450 Kuala Lumpur	600,000	Comparison Method and Income Approach

PROPERTY, PLANT AND EQUIPMENT (continued)

- b) Surplus arising from the valuation of these properties amounted to RM1,402,487 (2002- RM1,402,487). Deferred taxation arising thereon amounted to RM243,455 (2002 - RM399,600) was not provided for in the financial statements as these properties are meant to be held for long term with no immediate intention to resale.
- c) Included herein for the year ended 30th June, 2003, plant and equipment acquired under hire-purchase instalment plans are as follows:-

	Net Book Value	
	2003	2002
	RM	RM
Plant and machinery	15,705,491	14,362,977
Motor vehicles	1,171,056	1,590,821
Furniture & fittings	497,399	556,522

- d) All the property, plant and equipment were pledged as securities for banking facilities granted to the Company as mentioned in note 9.
- e) Had the revalued freehold land and buildings been carried at historical cost less accumulated depreciation, the net book value of freehold land and buildings as at 30th June, 2003 would be RM9,634,636 (2002 - RM9,705,595).
- f) Included in the cost of property, plant and equipment of the Company are fully depreciated assets still in use of RM444,809 (2002 - RM420,415).

4. INVESTMENTS

	2003	2002
	RM	RM
Shares quoted in Malaysia, at cost	46,682	46,682
Allowance for diminution in value of quoted investments	(38,492)	(31,306)
	8,190	15,376
Market value	8,190	5,160

5. INVENTORIES

	2003	2002
	RM	RM
At cost		
Raw materials	5,113,533	2,969,207
Work-in-progress	878,732	478,731
Finished goods	2,706,023	1,166,023
	8,698,288	4,613,961

All the inventories were pledged as securities for banking facilities granted to the Company as mentioned in note 9.

6. TRADE RECEIVABLES

	2003 RM	2002 RM
Trade receivables	21,092,330	18,899,153
Allowance for doubtful debts	(184,000)	(184,000)
	20,908,330	18,715,153

7. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2003 RM	2002 RM
Other receivables	987,615	1,308,620
Sundry deposits	283,855	282,855
Deposits for purchase of property, plant and equipment	7,493,075	6,402,200
Prepayments	863,955	274,865
	9,628,500	8,268,540

8. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits placed with licensed banks have been pledged as security for banking facilities granted to the Company as mentioned in note 9.

The interest rates and maturity periods of deposits with licensed banks of the Company as at 30th June 2003 are as follows:

	2003	2002
Interest rates	4%	4.35% to 4%
Maturity periods	12 months	12 months

9. TERM LOANS AND OTHER CREDIT FACILITIES

	2003 RM	2002 RM
Term loans		
Balance at 30th June	2,691,390	197,202
Less: Portion repayable within the next twelve months shown under current liabilities	(2,594,423)	(50,365)
Long term portion	96,967	146,837
The long term portion is repayable as follows:		
Later than 1 year and not later than 2 years	58,386	54,248
Later than 2 years and not later than 5 years	38,581	92,589
	96,967	146,837

TERM LOANS AND OTHER CREDIT FACILITIES (continued)

The term loans and other credit facilities obtained from licensed banks are secured as follows:-

- (i) Legal charges over the properties and all the fixed and floating assets of the Company;
- (ii) Lien on fixed deposits of the Company; and
- (iii) Guaranteed jointly and severally by certain Directors of the Company.

The bankers' acceptances bear interest between 6.75% to 8.90% (2002: 8.0% to 12.30%)

The bank overdrafts bear interest between 7.25% to 8.40% (2002 : 7.90% to 11.00%)

The term loans bear interest at rates ranging from 7.50% to 8.15% (2002: 7.45% to 7.85%)

10. OTHER PAYABLES AND ACCRUALS

	2003 RM	2002 RM
Other payables	2,368,459	818,587
Accruals	384,832	429,047
	2,753,291	1,247,634

11. HIRE-PURCHASE CREDITORS

	2003 RM	2002 RM
Balance at 30th June	8,660,257	11,696,520
Less: Unexpired interest	(1,606,586)	(2,194,861)
Principal portion	7,053,671	9,501,659
Repayment terms:		
Not later than 1 year	3,748,230	3,653,084
Later than 1 year and not later than 5 years	3,264,967	5,650,186
Later than 5 years	40,474	198,389
	7,053,671	9,501,659

12. SHARE CAPITAL

	2003 RM	2002 RM
Ordinary shares of RM1 each:-		
Authorised:		
At 1st July	50,000,000	10,000,000
Increased during the year	—	40,000,000
At 30th June	50,000,000	50,000,000

SHARE CAPITAL (continued)

Issued and fully paid:		
At 1st July	40,000,000	7,500,000
Bonus issue	–	19,109,513
Rights issue	–	392,487
Restricted issue	–	2,500,000
Public issue	–	9,698,000
Placement	–	800,000
At 30th June	40,000,000	40,000,000

13. SHARE ALLOTMENT MONIES

This represent part of the proceeds received by the Company up to 30th June 2003, pertaining to the Proposed Rights Issue of 10,000,000 new ordinary shares of RM1.00 each ("Rights Shares") at an issue price of RM1.05 per Rights Share payable in full upon acceptance on a renounceable basis of one (1) Rights Share for every four (4) existing ordinary shares.

The Right Issue exercise was completed on 14th July 2003.

14. RESERVES

	2003 RM	As restated 2002 RM
Non-distributable:-		
Share premium	3,892,164	3,892,164
Revaluation reserve	1,402,487	1,402,487
Disributable:-		
Retained profits *	17,999,928	11,053,600
	23,294,579	16,348,251

*Include dividend proposed of RM3,300,000 (2002 - RM2,000,000) in respect of the financial year ended 30th June, 2003 (30th June, 2002), which will be paid once approved by shareholders at the forthcoming Annual General Meeting.

15. DEFERRED TAXATION

	2003 RM	As restated 2002 RM
Balance at 1st July	6,384,000	4,144,000
Transferred from income statement	1,708,000	2,240,000
Balance at 30th June	8,092,000	6,384,000
Deferred taxation arose from principally, temporary differences on excess of capital allowances over depreciations	28,900,000	22,800,000

16. PROFIT BEFORE TAXATION

	2003 RM	2002 RM
a) Profit before taxation is arrived at after charging/ (crediting):-		
Audit fees	40,000	30,000
Directors' remuneration		
- Salaries, allowances & bonus	1,536,200	902,200
- Fees		
- Current year	180,000	120,000
- Underprovision in prior year	30,000	-
- Attendance allowances	84,000	15,000
Rental of premises	57,056	28,850
Lease rental	-	10,740
Depreciation (Note 3)		
- Current	5,539,580	4,387,148
- Reversal	-	(1,976)
Allowance for diminution in value of quoted investments	7,186	-
(Gain)/ Loss on foreign exchange	(28,413)	9,570
Gain on disposal of property, plant and equipment	-	(13,613)
Rental income	(43,931)	(37,331)
Dividend (gross)	(1,260)	(360)
Consultancy fees receivable from a company in which a director acts as Company Secretary	(185,000)	-
Interest income		
- Fixed deposits	(35,210)	(16,499)
- Others	-	(17,593)
Finance cost:		
Interest paid/payable for:-		
Bank overdrafts	162,242	140,587
Hire-purchase	855,998	697,478
Term loans	12,254	277,979
Bankers' acceptances & trust receipts	953,732	628,835
Letter of credit charges		
- Current year	-	5,381
- Overprovision in prior years	-	(10,683)
Others	3,012	14,265
	1,987,238	1,753,842

PROFIT BEFORE TAXATION (continued)

	2003 RM	2002 RM
b) Directors' remuneration		
Directors' remuneration is analysed as follows:-		
Executive directors		
- salaries and allowances	1,328,200	771,700
- fees	66,000	36,000
- attendance allowances	18,500	5,000
Non-executive directors		
- salaries and allowances	208,000	130,500
- fees	144,000	84,000
- attendance allowances	65,500	10,000

The number of directors whose remuneration fell within the following ranges (per annum):-

	2003		2002	
	Executive	Non-executive	Executive	Non-executive
RM1 - RM150,000	—	8	1	7
RM150,001 - RM300,000	—	—	—	—
RM300,001 - RM450,000	—	—	2	—
RM450,001 - RM600,000	—	—	—	—
RM600,001 - RM750,000	2	—	—	—

17. EXCEPTIONAL ITEMS

	2003 RM	2002 RM
Compensations for legal claims	—	(25,000)
Underprovision of fire insurance claims on machinery and equipment in previous year	—	121,501
	—	96,501

18. TAXATION

	2003 RM	As restated 2002 RM
Income Taxation:		
Current year	536,000	280,000
Overprovision in prior years	(109,216)	—
	426,784	280,000
Deferred taxation:		
Transferred to deferred taxation	1,708,000	2,240,000
	2,134,784	2,520,000

TAXATION (continued)

The income tax provision for the year is disproportionate to the statutory tax rate due principally to claims for reinvestment allowances. Subject to agreement by the Inland Revenue Board, the Company has unabsorbed reinvestment allowances of approximately RM16,800,000 (2002 - RM16,600,000) available for set-off against future taxable profits.

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108 and tax exempt account under Schedule 7A of the Income Tax Act 1967 and tax exempt account under Section 12 of the Income Tax (Amendment) Act, 2001 to frank the payment of dividends out of all its retained profit as at 30th June, 2003 without incurring any additional tax liability.

19. EARNINGS PER SHARE - As restated

Earnings per share is calculated by dividing the Company's profit after taxation of RM8,946,328 (2002 (as restated) - RM6,876,953) by the weighted average number of ordinary shares in issue of 40,000,000 (2002 - 33,273,565) during the year.

20. CASH AND CASH EQUIVALENTS

	2003 RM	2002 RM
*Cash and bank balances	8,212,800	63,357
Fixed deposits with licensed banks (excluding interest receivable 2003 - Nil, 2002 - RM888)	2,002,757	1,467,139
Bank overdrafts	(261,395)	(716,734)
	9,954,162	813,762

* Include RM7,242,566 subscription monies received in respect of the proposed Rights Issue, which together with the Proposed Bonus Issue was completed on 14th July, 2003.

21. SEGMENTAL REPORTING

The Company is principally involved in the business of manufacturing and trading of confectionery and other related foodstuffs. Accordingly, information by industry segment on the Company's operations is not presented.

The Company operates predominantly in Malaysia and accordingly, information by geographical location on the Company operations is also not presented.

22. CAPITAL COMMITMENTS

	2003 RM	2002 RM
Capital expenditure authorised and contracted for but not provided in the financial statements: - in respect of purchase of property, plant and equipment	11,000,000	13,300,000

23. CONTINGENT LIABILITY - Secured

As at 30th June, 2003, the Company is involved in a legal dispute in respect of goods sold and delivered to the Company. The Company is contesting against this legal suit on the ground that the above mentioned goods were never delivered to the Company. On 11th March, 2003, the Session Court gave judgement favouring the creditor. However, the Company had filed an appeal on 20th March, 2003 to the High Court against the decision of the Session Court. In the event the Company fail on its defence, the maximum liability is estimated to be not more than RM67,000.

24. SUBSEQUENT EVENTS

On 11th February, 2003 the Company submitted to the relevant authorities for approval of the following Corporate Proposals.

- i) **Proposed Increase in Authorised Share Capital** of the Company from RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each to RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each;
- ii) **Proposed Rights Issue** of 10,000,000 new ordinary shares of RM1.00 each ("Rights Shares") on a renounceable basis of one (1) new ordinary share of RM1.00 each for every four (4) existing ordinary shares of RM1.00 each held in the Company at indicative issue price of RM1.05 per Rights Share;
- iii) **Proposed Bonus Issue** of 10,000,000 new ordinary shares of RM1.00 each ("Bonus Shares") to be credited as fully paid-up on the basis of one (1) Bonus Share for every one (1) Rights Share subscribed by the Shareholders of the Company and their renouncees to the Rights Shares pursuant to the Proposed Rights Issue;
- iv) **Proposed Private Placement** of up to 6,000,000 new ordinary shares of RM1.00 each, representing not more than 10% of the enlarged issued and paid-up share capital of the Company after the Proposed Rights Issue and Proposed Bonus Issue; and
- v) **Proposed Establishment of an Employees Share Option Scheme** by the Company for the eligible Employees and Directors.

These mentioned proposals are meant to raise additional working capital for the Company and for an eventual aim to seek a transfer of the Company's listing status to the Main Board of the Kuala Lumpur Stock Exchange.

Subsequent to 30th June, 2003 items (i) to (iii) of the Corporate Proposals have been completed by 14th July, 2003 and the enlarged share capital of RM60,000,000 has on 5th September, 2003 granted official quotation on the Main Board of the Kuala Lumpur Stock Exchange.

25. PRIOR YEARS' ADJUSTMENTS

These relate to adjustments to incorporate additional deferred tax liabilities arising on compliance with MASB 25-Income Taxes as disclosed in Note 2.13.

	RM
In respect of:-	
i) Financial years ended 30th June, 2000 and 30th June, 2001	3,861,000
ii) Financial year ended 30th June, 2002	1,823,000
	5,684,000

26. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Company are subject to a variety of financial risks, including credit risk, foreign currency exchange risk, interest rate risk, liquidity risk and cash flow risk and market risk. The Company has formulated guidelines and policies as well as internal controls which seek to minimise the Company's exposure to risks associated with the financing, investing and operating activities of the Company.

(a) Credit risk

The Company has a credit policy in place to evaluate customers requiring credit over a certain amount or period. Credit risk is further minimised and monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Company's management reporting procedures.

(b) Foreign currency exchange risk

The Company is exposed to currency risk as a result of the Company's transactions with foreign vendors of plant and equipment and foreign trade receivables and payables. The Company monitors the movements in foreign currency exchange rates closely to ensure their exposure is minimised.

(c) Interest rate risk

The Company's primary interest rate risk relates to interest-bearing debts.

(d) Liquidity risk and cash flow risk

The Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash and cash equivalents to meet its working capital requirements and prudently balances its portfolio of short term and long term funding requirements.

(e) Market risk

The Company is principally involved in the manufacture of extruded corn snacks, chocolates, cakes and other snack products and is therefore subject to certain risks inherent in the food-processing industry. These risks include, inter-alia the possible increase in the operating and capital costs due to increase in the cost of labour and raw materials, changes in consumer demands and changes in general economic conditions. The Company seeks to limit these risks through, inter-alia, expansion of both existing and new markets, developing and maintaining a diversified market network and investment in automated machinery to improve efficiency.

FINANCIAL INSTRUMENTS continued)

(f) Fair values

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximate their fair values except as set out below:-

Long term liabilities	Carrying amount RM	Fair value RM
Hire purchase creditors	3,305,441	3,162,713
Term loans	96,967	93,053
	3,402,408	3,255,766

27. GENERAL INFORMATION

27.1 The Company is a public limited company, incorporated and domiciled in Malaysia. The Company's entire paid-up share capital comprising 40,000,000 ordinary shares of RM1.00 each was officially quoted on the Second Board of the Kuala Lumpur Stock Exchange on 31st January, 2002.

On 5th September, 2003, its listing status has been transferred to the Main Board of the Kuala Lumpur Stock Exchange.

27.2 The number of employees in the Company at the end of the financial year were 196 (2002 - 138).

	2003 RM	2002 RM
Staff costs	3,444,249	2,530,840

27.3 The principal place of business is located at No 3, 5, 7, 9 Jalan Istimewa 2, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim.

28. CURRENCY

All amounts are stated in Ringgit Malaysia

29. COMPARATIVE FIGURES

29.1 Certain comparative figures had been reclassified to conform with current year's presentation.

29.2 Arising from the prior years' adjustments as disclosed in Note 25, the comparative figures are restated as follows:-

Balance sheet	As previously reported	As restated
i) Reserves	22,032,251	16,348,251
ii) Deferred taxation	700,000	6,384,000
Income statement		
i) Retained profit brought forward	27,147,160	23,286,160
ii) Taxation	(697,000)	(2,520,000)

directors' statement

We, **DATO' LIEW KUEK HIN** and **DATO' LIEW YEW CHUNG**, being two of the Directors of the Company, do hereby state that in the opinion of the Directors, the financial statements set out on pages 37 to 58 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 30th June, 2003 and of its results and cash flow for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28th October 2003

DATO' LIEW KUEK HIN, DIMP, PJK, JP
Director

DATO' LIEW YEW CHUNG, DIMP
Director

KUALA LUMPUR
30th October 2003

statutory declaration

I, **DATO' LIEW YEW CHUNG** being the Director responsible for the financial management of **LONDON BISCUITS BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 37 to 58 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 abovenamed at Kuala Lumpur)
)
this 30th October 2003)

DATO' LIEW YEW CHUNG

Before me:-

K. MARIASOOSAY
Commissioner for Oaths, W344
Kuala Lumpur