

6 December 2013

To the Shareholders of Inari Amertron Berhad

Dear Shareholders,

ERRATA TO THE 2013 ANNUAL REPORT

Reference is made to the Company's 2013 Annual Report which was submitted to Bursa Malaysia Securities Berhad via Bursa Link on 22 November 2013.

We wish to inform that there were corrections on pages 45, 46, 73, 80, 81, 85, 88, 90 and 102 of the Annual Report. The corrected information are highlighted herein in grey for your easy reference.

The aforesaid amendments have no impact on the results of the Statements of Comprehensive Income and Statements of Financial Position.

The errata amendments are regretted.

Yours faithfully,

INARI AMERTRON BERHAD



Dr Tan Seng Chuan

Executive Vice Chairman

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2013

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	43,288,592	20,301,923	16,699,789	9,357,916
Adjustments for:				
Allowance for slow moving inventories	2,958,685	213,851	–	–
Amortisation of discount on RCPS	160,885	–	–	–
Amortisation of development costs	80,111	–	–	–
Bad debts	1,686	735	–	–
Depreciation	14,553,075	13,581,373	41,255	24,689
Dividend on RCPS	94,176	–	–	–
Dividend on RPS	116,954	–	–	–
Gain on disposal of non-current assets held for sale	–	(79,821)	–	–
(Gain)/Loss on disposal of property, plant and equipment	(547)	37,500	–	–
Grant income recognised	(1,275,128)	(15,708)	–	–
Interest income	(491,332)	(481,709)	(695,839)	(786,804)
Interest expenses	878,736	565,833	315,958	385,881
Inventories written off	2,102,438	–	–	–
Property, plant and equipment written off	15,948	207,606	–	–
Unrealised gain on foreign exchange	(2,142,906)	(756,932)	–	–
Operating profit before working capital changes	60,341,373	33,574,651	16,361,163	8,981,682
Increase in inventories	(12,173,656)	(3,777,347)	–	–
(Increase)/Decrease in receivables	(6,771,418)	(120,243)	13,567	854,785
Increase/(decrease) in payables	32,301,895	(8,983,304)	720,831	362,444
Cash generated from operations	73,698,194	20,693,757	17,095,561	10,198,911
Income tax paid	(2,703,400)	(1,992,675)	(119,309)	(28,000)
Interest received	480,969	481,709	695,839	786,804
Interest paid	(878,736)	(965,833)	(315,958)	(385,881)
Net cash from operating activities	70,597,027	18,216,958	17,356,133	10,571,834
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiaries	–	–	(5,401,501)	(3,598,563)
Net cash (outflow)/inflow on acquisition of subsidiaries ⁽¹⁾	(86,135,435)	2,290,738	–	–
Development costs	(2,340,803)	(607,466)	–	–
Proceeds from disposal of property, plant and equipment	6,776	25,524	–	–
Proceeds from disposal of non-current assets held for sale	–	680,000	–	–
Purchase of property, plant and equipment ⁽²⁾	(41,211,372)	(21,030,923)	(10,225)	(195,360)
Net cash used in investing activities	(129,680,834)	(18,642,127)	(5,411,726)	(3,793,923)
Balance carried forward	(59,083,807)	(425,169)	11,944,407	6,777,911

The notes set out on pages 48 to 106 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (CONT'D)

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Balance Brought forward	(59,083,807)	(425,169)	11,944,407	6,777,911
CASH FLOWS FROM FINANCING ACTIVITIES				
Net changes in subsidiaries balances	-	-	(27,942,175)	(14,917,038)
Dividend paid	(17,127,044)	(9,948,261)	(17,127,044)	(9,948,261)
Dividend on CRPS	(116,954)	-	-	-
Drawdown of term loan	4,615,000	7,550,000	-	7,550,000
Drawdown of bankers' acceptance	104,000	-	-	-
Drawdown of onshore foreign currency loan	1,637,322	-	-	-
Drawdown of trust receipts	1,059,716	-	-	-
Proceeds from government NCIA loan	4,000,000	-	-	-
Proceeds from RCPS issued to non-controlling interests of a subsidiary	2,194,576	-	-	-
Proceeds from issuance of RPS	36,593,280	-	-	-
Proceeds from issuance of shares	31,584,422	30,627,710	31,584,422	30,627,710
Repayment of finance leases	(375,133)	(342,410)	-	-
Repayment of term loan	(4,217,001)	(3,452,526)	(1,803,494)	(1,556,950)
Government grant received ^(a)	1,329,313	911,542	-	-
Net cash from/(used in) financing activities	61,281,497	25,346,055	(15,288,291)	11,755,461
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS CARRIED FORWARD	2,197,690	24,920,886	(3,343,884)	18,533,372
Effects of changes in foreign exchange rates	273,306	146,242	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING	40,462,222	15,395,094	18,535,162	1,790
CASH AND CASH EQUIVALENTS AT END	42,933,218	40,462,222	15,191,278	18,535,162
Represented by:				
Cash and bank balance	44,227,822	40,462,222	15,191,278	18,535,162
Bank overdrafts	(1,294,604)	-	-	-
	42,933,218	40,462,222	15,191,278	18,535,162

The notes set out on pages 48 to 106 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. INVENTORIES

	30.6.13	GROUP	
	RM	30.6.12	1.7.11
		RM	RM
Raw materials	66,908,943	15,679,278	12,153,307
Less: Allowance for slow moving inventories			
Balance at beginning	(485,372)	(271,521)	–
Arising from acquisition of subsidiaries	–	–	(294,596)
Current year	(2,958,685)	(213,851)	–
Reversal of allowance	–	–	23,075
Balance at end	(3,444,057)	(485,372)	(271,521)
Work-in-progress	63,464,886	15,193,906	11,881,786
Finished goods	27,741,201	5,533,474	5,814,565
Packing materials	16,707,021	1,308,016	286,920
	358,147	139,497	94,771
	108,271,255	22,174,893	18,078,042

	GROUP	
	2013	2012
	RM	RM
Recognised in profit or loss:		
Inventories recognised as cost of sales	174,716,963	144,784,618
Inventories written off	2,102,438	–

11. TRADE RECEIVABLES

	30.6.13	GROUP	
	RM	30.6.12	1.7.11
		RM	RM
Total amount	84,998,492	19,010,966	20,661,624
Less : Allowance for impairment			
Arising from acquisition of subsidiaries	(23,347)	–	–
	84,975,145	19,010,966	20,661,624

The currency profile of trade receivables is as follows:

	30.6.13	GROUP	
	RM	30.6.12	1.7.11
		RM	RM
Ringgit Malaysia	1,775,896	1,316,492	646,672
US Dollar	83,199,249	17,694,474	20,014,952
	84,975,145	19,010,966	20,661,624

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. BORROWINGS (CONT'D)

	30.6.13 RM	COMPANY 30.6.12 RM	1.7.11 RM
Current:			
Term loan	1,916,635	1,803,494	–
Non-current:			
Term loan	2,272,921	4,189,556	–
Total borrowings	4,189,556	5,993,050	–

The currency profile of borrowings is as follows:

	30.6.13 RM	GROUP 30.6.12 RM	1.7.11 RM
Ringgit Malaysia	19,395,929	12,914,743	6,585,561
US Dollar	11,241,440	–	–
	30,637,369	12,914,743	6,585,561

A summary of the effective interest rates and the maturities of the borrowings are as follows:

	Average effective interest rate per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
30.6.13						
Bank overdraft	8.10	1,294,604	1,294,604	–	–	–
Bankers' acceptance	4.86	104,000	104,000	–	–	–
NCIA loan	–	4,000,000	2,000,000	2,000,000	–	–
Onshore foreign currency loan	3.03 - 3.23	1,711,940	1,711,940	–	–	–
Short term borrowings	3.70 - 5.81	9,529,500	9,529,500	–	–	–
Trust receipts	2.10	1,059,716	1,059,716	–	–	–
Term loans	4.40 - 7.35	12,581,460	4,331,742	3,735,091	1,228,814	3,285,813
Finance lease liabilities:						
Minimum lease payments	2.61 - 3.60	366,329	355,392	10,937	–	–
Finance charge		(10,180)	(10,123)	(57)	–	–
Present value of minimum lease payments		356,149	345,269	10,880	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. BORROWINGS (CONT'D)

	Average effective interest rate per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
30.6.12						
Term loans	6.10 - 7.35	12,183,461	4,125,716	4,105,418	3,733,844	218,483
Finance lease liabilities:						
Minimum lease payments	2.61 - 3.60	774,821	408,492	355,392	10,937	–
Finance charge		(43,539)	(33,359)	(10,123)	(57)	–
Present value of minimum lease payments		731,282	375,133	345,269	10,880	–
1.7.11						
Term loans	7.35	5,761,869	1,625,513	1,750,093	2,386,263	–
Finance lease liabilities:						
Minimum lease Payments	3.60	902,700	318,600	318,600	265,500	–
Finance charge		(79,008)	(45,413)	(26,292)	(7,303)	–
Present value of minimum lease payments		823,692	273,187	292,308	258,197	–
COMPANY						
30.6.13						
Term loan	6.10	4,189,556	1,916,635	2,037,682	235,239	–
30.6.12						
Term loan	6.10	5,993,050	1,803,494	1,916,635	2,272,921	–

The borrowings of the subsidiaries and of the Company (except for finance lease and NCI loan) are secured by way of:

- (i) Facility Agreement;
- (ii) Legal charge over certain land and buildings of the Group;
- (iii) Secured by certain machineries and equipment, land use right and assignment of trade receivables;
- (iv) Fixed deposit of a subsidiary; and
- (v) Corporate guarantee of the Company.

30.6.13

The Northern Corridor Implementation Authority ("NCIA") has vide an agreement dated 27 June 2012, agreed to provide an unsecured, non-interest bearing loan of RM4,000,000 to a subsidiary of the Company, Inari Technology Sdn. Bhd. for implementation of a new manufacturing facility. The loan was disbursed to the subsidiary during the financial year and is payable by two yearly installment of RM2,000,000 each commencing from the financial year ending 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. TRADE PAYABLES

The currency profile of trade payables is as follows:

	30.6.13	GROUP	
	RM	30.6.12	1.7.11
		RM	RM
Ringgit Malaysia	2,555,075	826,190	1,454,141
US Dollar	45,440,667	5,855,697	11,908,274
Renminbi	1,062,180	–	–
Euro	1,272,376	–	–
Philippine Peso	868,023	–	–
Singapore Dollar	43,748	–	–
Japanese Yen	250,295	4,398	1,373
	51,492,364	6,686,285	13,363,788

Included in trade payables are the following:

- (i) An amount of **RM102,576** (30.6.12: RM75,054; 1.7.11: RM53,297) due to a substantial shareholder of the Company; and
- (ii) An amount of **RM46,980** (30.6.12: RM28,217; 1.7.11: RM15,745) due to subsidiaries of a substantial shareholder of the Company.

The normal credit terms granted by trade payables range from **30 to 90 days** (30.6.12: 7 to 90 days; 1.7.11: 30 to 90 days).

25. OTHER PAYABLES, ACCRUALS AND PROVISIONS

	30.6.13	GROUP	
	RM	30.6.12	1.7.11
		RM	RM
Other payables and accruals	70,054,936	37,959,389	31,600,988
Deferred cash consideration (Note 23)	5,329,859	–	–
Provision for product liability claim			
Balance at beginning	3,692,400	4,206,300	3,057,800
Current year	2,491,400	1,953,100	1,739,300
Reversal of prior year provision	(1,739,270)	(2,467,000)	(590,800)
Balance at end	4,444,530	3,692,400	4,206,300
	79,829,325	41,651,789	35,807,288

	30.6.13	COMPANY	
	RM	30.6.12	1.7.11
		RM	RM
Other payables and accruals	1,289,030	568,199	205,755

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCE COSTS

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Amortisation of discount on RCPS	160,885	–	–	–
Bank overdraft interest	37,002	1,526	–	–
Dividend on RPS	116,954	–	–	–
Dividend on RCPS	94,176	–	–	–
Finance lease interest	33,359	55,114	–	–
Interest on bankers' acceptances	1,827	1,516	–	–
Interest on shareholder's advances	–	59,573	–	–
Interest on trust receipt	100,122	–	–	–
Term loan interest	694,144	848,104	315,958	385,881
Onshore foreign currency loan interest	12,172	–	–	–
Reversal of preference share dividend previously provided by a subsidiary	–	(400,000)	–	–
Others	110	–	–	–
	1,250,751	565,833	315,958	385,881

29. PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
This is arrived at:				
After charging:				
Amortisation of development cost	80,111	–	–	–
Allowance for slow moving inventories	2,958,685	213,851	–	–
Audit fee				
Company auditors				
- statutory audit	109,000	70,000	25,000	14,000
- other services	174,549	437,470	174,549	414,470
- under provision in prior year	–	1,500	–	–
Bad debts	1,686	735	–	–
Depreciation	14,553,075	13,581,373	41,255	24,689
Directors' fee for non-executive directors	248,400	324,850	248,400	324,850
Inventories written off	2,102,438	–	–	–
Realised loss on foreign exchange	1,102,398	–	–	–
Loss on disposal of property, plant and equipment	–	37,500	–	–
Property, plant and equipment written off	15,948	207,606	–	–
Rental of equipment	253,001	186,093	19,450	20,825
Rental of factory	1,132,302	1,078,200	–	–
Rental of motor vehicle	31,380	1,870	–	–
* Staff costs	54,152,536	45,907,771	1,549,043	1,209,434

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. TAXATION

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Malaysian income tax:				
Based on results for the year				
- Current tax	(121,000)	(2,064,324)	(95,000)	(28,000)
- Deferred tax				
Transfer to/(from) deferred tax assets	81,964	(95,876)	-	-
Transfer from/(to) deferred tax liabilities	86,657	(9,223)	-	-
	168,621	(105,099)	-	-
	47,621	(2,169,423)	(95,000)	(28,000)
(Under)/Over provision in prior year				
- Current tax	(1,251,999)	21,695	(51,393)	-
- Deferred tax	(841,606)	1,131,749	-	-
	(2,093,605)	1,153,444	(51,393)	-
	(2,045,984)	(1,015,979)	(146,393)	(28,000)

The reconciliation of tax expense of the Group and of the Company are as follows:

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before taxation	43,288,592	20,301,923	16,699,789	9,357,916
Income tax at Malaysian statutory tax rate of 25%	(10,822,148)	(5,075,481)	(4,174,947)	(2,339,479)
Effects of:				
- Income not subject to tax	106,629	20,469	4,597,650	2,947,906
- Expenses not deductible for tax purposes	(136,533)	(1,614,146)	(517,703)	(636,427)
- Double deduction of expenses for tax purposes	15,269	16,112	-	-
- Pioneer income not subject to tax	11,656,981	4,751,423	-	-
- Deferred tax movement not recognised	(902,319)	(267,800)	-	-
- Utilisation of unabsorbed tax losses and capital allowances	129,742	-	-	-
- Current tax under provided in prior year	(1,251,999)	21,695	(51,393)	-
- Deferred tax under provided in prior year	(841,606)	1,131,749	-	-
	(2,045,984)	(1,015,979)	(146,393)	(28,000)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. FINANCIAL RISK MANAGEMENT (CONT'D)**38.2 Liquidity risk (cont'd)**

	Carrying Amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
COMPANY						
30.6.13						
Interest bearing borrowings	4,189,556	4,473,928	2,117,738	2,119,452	236,738	–
Other payables and accruals	1,289,030	1,289,030	1,289,030	–	–	–
	5,478,586	5,762,958	3,406,768	2,119,452	236,738	–
30.6.12						
Interest bearing borrowings	5,993,050	6,593,380	2,119,452	2,117,738	2,356,190	–
Other payables and accruals	568,199	568,199	568,199	–	–	–
Dividend payable	2,652,870	2,652,870	2,652,870	–	–	–
	9,214,119	9,814,449	5,340,521	2,117,738	2,356,190	–
1.7.11						
Other payables and accruals	205,755	205,755	205,755	–	–	–

38.3 Interest rate risk

The Group's fixed rate short term deposits and borrowings and are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's interest-bearing financial instruments based on their carrying amounts as at reporting date is as follows:

	30.6.13 RM	30.6.12 RM	1.7.11 RM
GROUP			
Fixed rate instruments			
Financial assets	19,615,337	33,777,961	–
Financial liabilities	40,026,403	731,282	823,692