MASNET No. 33 OF 26.08.2003
Announcement No. 33

KODA LTD

Full Year Financial Statement And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	FY2003	FY2002	Change
	S$' 000	S$' 000	%
Revenue	37,094	37,022	0.2
Cost of sales	(27,332)	(26,595)	2.8
Gross profit	9,762	10,427	(6.4)
Other operating income	700	608	15.1
Selling and distribution costs	(2,059)	(2,009)	2.5
Administrative expenses	(5,075)	(4,294)	18.2
Other operating expense	(64)	-	NM
Profit from operations	3,264	4,732	(31.0)
Finance costs	(788)	(738)	6.8
Profit before income tax	2,476	3,994	(38.0)
Income tax expense	(216)	(392)	(44.9)
Profit after income tax	2,260	3,602	(37.3)
Minority interests	(6)	6	NM
Net profit for the year	2,254	3,608	(37.5)
Other operating income			
- rental income	212	346	
- interest income	370	120	
- foreign exchange gain	74	35	
- gain on disposal of fixed assets	-	65	
- others	44	42	
	700	608	
Other operating expenses			
- foreign exchange loss	34	-	
- loss on disposal of fixed assets	27	-	
- bad debts written off	3	-	
	64	-	
Notes to profit and loss account			
- depreciation and amortization	1,108	818	
- provision for bad debts	16	-	
- Stock provisions	55	-	

FY - financial year
NM - Not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30/6/2003	30/6/2002	30/6/2003	30/6/2002
	S$' 000	S$' 000	S$' 000	S$' 000
ASSETS				
Current assets				
Cash	477	364	350	268
Trade receivables	6,274	5,080	4,938	4,668
Other receivables and prepayments	5,226	3,254	2,953	1,861
Inventories	10,279	6,892	1,247	1,124

Amount owing by subsidiaries	-	-	14,107	9,831
Total current assets	**22,256**	**15,590**	**23,595**	**17,752**
Non-current assets				
Investment in subsidiaries	-	-	8,996	8,467
Property, plant and equipment	12,866	9,476	1,383	1,456
Unquoted investments and other assets	1,959	1,904	1,911	1,876
Development costs	685	385	-	-
Total non-current assets	**15,510**	**11,765**	**12,290**	**11,799**
Total assets	**37,766**	**27,355**	**35,885**	**29,551**
LIABILITIES AND EQUITY				
Current liabilities				
Bank overdrafts and short-term loan	11,562	7,993	7,485	4,561
Trade payables	3,054	2,519	510	413
Other payables	2,910	886	1,908	144
Income tax payable	223	235	179	198
Finance lease obligations: current portion	449	257	156	196
Long-term bank loans: current portion	134	118	-	-
Amount owing to subsidiaries	-	-	15,719	14,199
Total current liabilities	**18,332**	**12,008**	**25,957**	**19,711**
Non-current liabilities				
Other payables	-	1,290	-	1,290
Finance lease obligations	3,013	908	380	437
Long-term bank loans	392	533	-	-
Deferred tax liabilities	210	201	-	39
Total non-current liabilities	**3,615**	**2,932**	**380**	**1,766**
Minority interests	**68**	**57**	**-**	**-**
Capital and reserves				
Issued capital	4,642	4,220	4,642	4,220
Capital reserves	3,291	2,253	3,002	1,964
Currency translation reserve	(436)	(444)	-	-
Accumulated profits	7,892	6,000	1,542	1,561
Dividend reserve	362	329	362	329
Total equity	**15,751**	**12,358**	**9,548**	**8,074**
Total liabilities and equity	**37,766**	**27,355**	**35,885**	**29,551**

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30/6/2003		As at 30/6/2002	
Secured	Unsecured	Secured	Unsecured
12,145 (S$'000)	-	8,368 (S$'000)	-

Amount repayable after one year

As at 30/6/2003		As at 30/6/2002	
Secured	Unsecured	Secured	Unsecured
3,405 (S$'000)	-	1,441(S$'000)	-

Details of any collateral

The bank facilities of the Company are secured by a legal mortgage on the Company's leasehold
building and a negative pledge on the Company's assets.

The bank facilities of a subsidiary are secured by (1) a legal mortgage on the subsidiary's
leasehold land and buildings and (2) corporate guarantee from the Holding Company.

The bank loans of a subsidiary are secured by a legal mortgage on another subsidiary's freehold land.

The Group's finance lease obligations are secured by the lessors' charge over the leased assets.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

S$'000	FY2003	FY2002
Cash flows from operating activities		
Profit before income tax	2,476	3,994
Adjustments for:		
Depreciation and amortization	1,108	818
Interest income	(370)	(120)
Interest expense	788	738
Loss (gain) on disposal of fixed assets	27	(65)
Provision for doubtful debts	16	-
Provision for inventories	55	-
Operating profit before working capital changes	4,100	5,365
Trade receivables	(1,210)	2,400
Other receivables and prepayments	(1,972)	(1,283)
Inventories	(3,442)	(1,739)
Trade payables	535	403
Other payables	734	(359)
Cash (used in) generated from operations	(1,255)	4,787
Interest paid	(788)	(738)
Interest received	370	120
Income tax paid	(274)	(898)
Dividend paid	(329)	-
Net cash (used in) from operating activities	(2,276)	3,271
Cash flows from investing activities		
Development costs	(473)	(395)
Purchase of fixed assets	(4,598)	(1,462)
Disposal of fixed assets	238	124
Increase in other investments	-	(800)
Net effect of exchange rate changes in consolidating subsidiaries	21	(747)
Consolidation adjustments	-	(928)
Acquisition of subsidiaries	-	(364)
Net cash used in investing activities	(4,812)	(4,572)
Cash flows from financing activities		
Proceeds from Initital Public Offer	-	3,900
Proceeds from new issue of shares	1,460	-
Proceeds from (Reduction in) long-term borrowings	2,172	(817)
Proceeds from (Reduction in) short-term borrowings	3,864	(2,169)
Net cash from financing activities	7,496	914
Net decrease in cash and cash equivalents	408	(387)
Cash and cash equivalents overdrawn at beginning of year	(749)	(362)
Cash and cash equivalents overdrawn at end of year	(341)	(749)
Represented by:		
Cash and bank balances	**477**	**364**
Bank overdrafts	**(818)**	**(1,113)**

(341) (749)

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Issued capital	Share premium	Asset revaluation reserve	Currency translation reserve	Dividend reserve	Accumulated profits	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30/6/2002	4,220	1,866	387	(444)	329	6,000	12,358
Issue of new shares	422	1,038	-	-	-	-	1,460
Currency translation differences	-	-	-	8	-	-	8
Net profit for the year	-	-	-	-	-	2,254	2,254
Dividend paid	-	-	-	-	(329)	-	(329)
Proposed dividend	-	-	-	-	362	(362)	-
Balance at 30/6/2003	4,642	2,904	387	(436)	362	7,892	15,751
Company							
Balance at 30/6/2002	4,220	1,866	98	-	329	1,561	8,074
Issue of new shares	422	1,038	-	-	-	-	1,460
Net profit for the year	-	-	-	-	-	343	343
Dividend paid	-	-	-	-	(329)	-	(329)
Proposed dividend	-	-	-	-	362	(362)	-
Balance at 30/6/2003	4,642	2,904	98	-	362	1,542	9,548

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

During the financial year, the Company issued 8.44 million new ordinary shares of $0.05 each
$0.19 per share and raised $1.5 million in net proceeds.The placement increased the issued
and paid up capital of the Company to $4,642,000 comprising of 92,840,000 ordinary shares of
$0.05 each.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Company has applied the same accounting policies and methods of computations
as in the Company's audited financial statements for the year ended 30 June 2002.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	30/6/2003	30/6/2002
Earnings per ordinary shares (weighted average)	2.5 cents	4.8 cents

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	30/6/2003	30/6/2002
Group		
Net asset value per ordinary share	17.0 cents	14.6 cents
Company		
Net asset value per ordinary share	10.3 cents	9.6 cents

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Revenue

Revenue up marginally by 0.2%.

- July to December 2002 period was weak with any clients, particularly in the UK, delaying or downsizing orders.
- January to June 2003 period improved significantly despite the Iraqi war. This was due to new customers from North America who tended to buy more design-intensive suites. The greater demand for suites also resulted in the demand for "occassional furniture" being particularly strong. These higher-value orders

made up for the shortfall in revenue in first half of the financial year.

- Given the above, we experienced significant changes in geographical sales and product segmentation compared to previous financial year. (please refer to Section 13 for details).

Profits

Gross profit and net profit fell by 6.4% and 37.5% respectively. We recorded a gross margin of 26.3% and net margin of 6.1% in FY2003.

The year-on-year profit decline was due to a combination of factors.

- We shifted part of our production from Malaysia to Vietnam and expanded our capacity in Vietnam. The shift led to disruptions in our normal production cycle and gave rise to one-off relocation, upgrading and logistics costs.
- The enlarged new Vietnam facility was affected a by longer-than-expected learning curve. This and other initial techincal issues dragged down the capacity utilisation rate.
- There were higher depreciation charges arising from new equipment and infrastructure.
- We incurred higher new client acquisition costs as we built up our customer base in North America. The costs were in relation to market studies, prototyping & testing of new designs, and formulating production methodologies to meet these designs.
- There was a rise in financing cost due to higher finance lease expenses required for our expansion in the new operations in Vietnam despite the ability to reduce our effective interest rates.

Effective tax rate declined due to tax concessions in Vietnam.

Financial Position – significant changes

- Inventory rose by $3.4 million due mainly to (1) Rise in raw materials by some $1.5 million as we used more higher value materials such as leather, premium fabrics and different timber species as well as packaging materials for confirmed orders received from North American market; (2) Rise in work-in-progress by some $0.6 million due to the longer learning curve needed for the development of new production methodology, while new product lines lengthened our production cycle; and (3) Rise in finished goods by some $1.3 million, most of which were ready to ship pending buyers' inspection. Approximately $1.1 million worth of these goods were subsequently shipped within first week of July 2003.
- Other receivables rose by $2.0 million due mainly to purchases of raw materials on behalf of sub-contractors, tax pre-payment and VAT receivables.
- Property, plant and equipment rose by $3.4 million due mainly to our capital investments in new operations in Vietnam.
- Bank overdraft and short-term loan rose by $3.6 million due to the need to fund higher inventories and other working capital requirements.
- Other payables rose by $2.0 million due mainly to a re-classification of long-term payables of approximately $1.3 million which arose from our previous restructuring exercise. During the financial year, we received some $0.5 million deposits from our customers.
- Total finance lease obligations rose by $2.3 million due to acquisition of factory buildings, plant and equipment for our new operations in Vietnam under finance lease arrangement.

Borrowings and gearing ratio

Total borrowings include bank overdraft, bills payable, terms loans and finance lease obligations.
Total borrowings increased by some 58.5% due mainly to our expansion in new Vietnam operations, higher inventories and other working capital requirements.
The total borrowings $15.6 million as at 30 June 2003 were inclusive of approximately
$3.5 million of finance lease obligations.

Group's gearing ratio was 0.99 times as at 30 June 2003.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The directors had previously stated that, in their opinion, they remained cautiously optimistic that the full year performance could be as good as that achieved in the previous financial year. We reported a net profit of $2.3 million, a year-on-year 37.5% decline. Revenue recovered strongly in the second half but the directors did not expect the production bottlenecks which arose from the shift in production from Malaysia to Vietnam and the expansion of Vietnam capacity, to be as severe. A slow learning curve and incurred additional costs from line imbalance eroded margins. The production bottleneck problems also resulted in low capacity utilisation and some orders not being fulfilled which resulted in order backlogs

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The growth momentum remains healthy – we have an order book of some $20.0 million (order book visibility of about 5 months) for recognition in FY2004 as of the date of this announcement. Indications from major customers also point to a recovery and/or steady growth in demand in all the key markets we now serve – North America, Europe and the Asia-Pacific region.

After making significant efforts in marketing, research and business development to widen the customer base in North America, we are starting to see the first fruits of our efforts in this region.

Our changes and improvements in design concepts in the past year have led to wider customer acceptance of our products. With these design changes, we are attracting a new set of customers in "lifestyle" stores in the key markets where we sell to. These design changes now also feature the use of higher-value materials such as oak timber and leather, and of the fusion of materials, which should result in overall higher sales value.

Barring unforeseen circumstances, the Directors are confident that the first half of FY 2004 will be an improvement over the second half of FY 2003. If the trend continues, our financial performance should improve in FY2004.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	10% % per ordinary share (less tax)
Par value of shares	$0.05
Tax Rate	22.0%

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	10% % per ordinary share (less tax)
Par value of shares	$0.05
Tax Rate	22.0%

(c) Date payable

To be announced at a later date.

(d) Books closure date

To be announced at a later date

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

The Group is primarily engaged in four business segments, namely chairs & tables, outdoor & garden furniture and occasional & other furniture. The Group adopts these four business segments as the basis for its primary segment information.

Primary segment information for the Group based on business segments are as follows:

Primary reporting format - business segments

S$'000	30 June 2003 Revenue	% of total	Segment result	30 June 2002 Revenue	% of total	Segment result
Chairs & tables	25,516	68.8	1,543	26,448	71.4	2,775
Outdoor & garden	1,420	3.8	50	1,946	5.2	158
Rattan	878	2.4	68	2,311	6.2	221
Occasional & others	9,280	25.0	967	6,317	17.2	970
Total	**37,094**	100.0	2,628	**37,022**	100.0	4,124
Other operating income			700			608
Other operating expenses			(64)			-
Profit from operations			3,264			4,732
Finance cost			(788)			(738)
Operating profit before income tax			2,476			3,994
Less: Income tax			(216)			(392)
Operating profit after tax before minority interest			**2,260**			**3,602**

Secondary reporting format - geographical segments

The geographical locations of the customers of the Group principally comprise the United Kingdom, Asia-Pacific, Europe, North America and other locations.

S$'000	30 June 2003	% of total	30 June 2002	% of total
United Kingdom	10,561	28.5	15,492	41.9
Europe	4,831	13.0	6,889	18.6
Asia-Pacific	7,142	19.2	7,520	20.3
North America	11,459	30.9	4,585	12.4
Others	3,101	8.4	2,536	6.8
Total	**37,094**	**100.0**	**37,022**	**100.0**

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to Section 8 for details

15. A breakdown of sales

	Group 30 June 2003 $'000	Group 30 June 2002 $'000	% change
Sales reported for first half year	17,482	19,575	(10.7)
Sales reported for second half year	19,612	17,447	12.4
Total	37,094	37,022	0.2

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year (S$'000)	Previous Full Year (S$'000)

Ordinary	362	329
Preference	0	0
Total:	362	329

BY ORDER OF THE BOARD

James Koh Jyh Gang
Managing Director
26/08/2003