IFCA software

IFCA MSC BERHAD (453392-T)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2011
NOTES TO THE INTERIM FINANCIAL REPORT

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

A1. BASIS OF PREPARATION

The interim financial reports is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010 and the accompanying explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2010.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group in this quarterly financial statements are consistent with those of the annual financial statements for the year ended 31 December 2010 except for the adoption of the following FRSs, amendments to FRSs and Issues Committee ("IC") Interpretations, which are effective for annual periods beginning on or after:

		Effective for financial periods beginning on or after
Amendments to FRS 132	Classification of Rights Issues	1 March 2010
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations (Revised)	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sales and Discontinued Operations	1 July 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1	First-time Adoption of Financing Reporting Standards [Improvement to FRSs (2010)]	1 January 2011
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 3	Business Combinations [Improvement to FRSs (2010)]	1 January 2011

Amendments to FRS 7	Financial Instruments – Disclosures [Improvement to FRSs (2010)]	1 January 2011
Amendments to FRS 101	Presentation of Financial Statements [Improvement to FRSs (2010)]	1 January 2011
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates [Improvement to FRSs (2010)]	1 January 2011
Amendments to FRS 128	Investments in Associates [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 132	Financial Instruments: Presentation [Improvement to FRSs (2010)]	1 January 2011
Amendments to FRS 134	Interim Financial Reporting [Improvement to FRSs (2010)]	1 January 2011
Amendments to FRS 139	Financial Instruments: Recognition and Measurement [Improvement to FRSs (2010)]	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011

The adoption of Amendments to FRS 7 which promotes enhanced disclosures on fair value measurement of financial statements via the introduction of the concept of fair value hierarchy, will only affect disclosures and will not have any impact on the results of the Group. The adoption of other FRSs, amendments to FRSs and IC Interpretation does not have any material impact on the financial performance or position of the Group except the revised FRS 3 and the amendments to FRS 127 as described below:

(a) Revised FRS 3: Business Combinations

The revised FRS 3 introduces changes in the accounting for business combination occurring after 1 July 2010 and it is applied prospectively. The FRS establishes principles for recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in acquiree. Each identifiable asset and liability is measured at its acquisition-date fair value. Any non-controlling interest in an acquiree is measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Goodwill is measured as the difference between the aggregate of the consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stahes, the acquisition-date fair value of the acquiree's previously held equity interest in the acquiree, and the net identifiable assets acquired. If the acquirer has made a gain from a bargain purchase, that gain is recognised in the income statement. The FRS also provides accounting requirements for reacquired rights, contigent liabilities, contingent consideration and indemnification assets.

(b) Amendments to FRS 127: Consolidated and Separate Financial Statements

The main changes include the accounting for changes in ownership interest in a subsidiary, where changes in ownership which do not result in the loss of control are now accounted for within equity instead of the income statement. Where an entity losses control of a subsidiary, any remaining investment is re-measured at fair value and a gain or loss is recognized in the income statement. The term minority interests were replaced by the term non-controlling interest, with a new definition. Total comprehensive income attributed to the owners of the parent and to the non-controlling interests, even if it results in the non-controlling interest having a deficit balance.

The revised FRS 127 requires retrospective application with certain exceptions as permitted under this standard.

The Group has yet to adopt the following FRSs, Amendments to FRSs and IC Interpretation which are effective for annual periods beginning on or after:

		Effective for financial periods beginning on or after
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
FRS 124	Related Party Disclosures (Revised)	1 January 2012

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the year ended 31 December 2010 was not qualified.

A4. SEASONAL OR CYCLICAL FACTORS

The operations of the Group were not affected by any seasonal or cyclical factors.

A5. UNUSUAL ITEMS

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current quarter under review.

A6 MATERIAL CHANGES IN ESTIMATES

The Group has not submitted any financial forecast or projections to any authorities during the current quarter and prior financial year ended 31 December 2010. As such, there is no change in estimates that had a material effect in the current quarter's results.

A7 CHANGES IN DEBTS AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale, repayments of debt and/or securities, share held as treasury shares and resale of treasury shares during the financial period ended 31 March 2011.

A8 DIVIDENDS PAID

There were no dividends paid during the current quarter under review.

A9 SEGMENTAL INFORMATION

Segmental information for the 3 months ended 31 March 2011 and 31 March 2010 are as follows:

	Malaysia		Overseas		Elimination		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RM	RM	**RM**	RM	**RM**	RM	**RM**	RM
REVENUE								
External sales	6,675,996	11,726,137	1,846,575	703,657	-	-	8,522,571	12,429,794
Inter-segment sales	1,358,241	1,901,165	-	-	(1,358,241)	(1,901,165)	-	-
Total Revenue	8,034,237	13,627,302	1,846,575	703,657	(1,358,241)	(1,901,165)	8,522,571	12,429,794
RESULT								
Operating results	2,795,700	3,742,761	31,123	(854,291)			310,693	2,888,470
Amortisation (unallocated)							(655,553)	(710,274)
Provision for doubtful debts							(143,431)	-
Finance costs							(30,280)	(9,173)
(Loss)/Profit before tax							(518,571)	2,169,023
Income tax expense							(3,200)	(3,200)
(Loss)/Profit for the period							(521,771)	2,165,823

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The valuations of property, plant and equipment have been brought forward without any material amendments from the previous financial statements.

A11. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT QUARTER

There was no significant event subsequent to the current quarter ended 31 March 2011, which will have a material effect on the financial results of the Group for the period under review, that have not been reflected in the financial statements or to be disclosed as at the date of this report other than as mentioned below:-

(a) On 14 January 2011, the Company entered into a supplementary Sale of Shares Agreement with Kutana Investment Group Ltd for the disposal of 9.58% (or 12,939,000 shares) of the Company's interest in the associated company, namely IFCA Technologies Ltd at a disposal price of South African Rand ("ZAR") 0.0338 per share. The total sales consideration of approximately RM195,994 shall be satisfied in cash upon completion.

(b) The Company's Rights Shares have been oversubscribed by 34.51% over the total of 143,351,000 Rights Shares available for subscription under the Rights Issue with Warrants. The Rights Issue was completed on 21 February 2011 following the admission of the Warrants to the Official List of Bursa Securities, and the listing of and quotation for the 143,351,000 Rights Shares and 143,351,000 Warrants on the ACE Market of Bursa Securities on 21 February 2011.

(c) On 5 April 2011, the Company had acquired 100% interest in ERF 235 Woodmead (Proprietary) Ltd (Company No. 2006/037749/07 & VAT No. 4600235164) ("ERF 235") by way of acquisition of 1,000 ordinary shares of South African Rand ("ZAR") 1.00 each (Sales Shares), for a total cash consideration of ZAR12,000 (equivalent to RM5,400 at the exchange rate of ZAR1 to RM0.45). The Acquisition is excluding the landed property together with other assets and liabilities of ERF 235. ERF 235 was incorporated on 5 December 2006 as a property holding company.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current quarter under review.

A13. CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities since the last annual balance sheet as at 31 December 2010.

A14. CAPITAL COMMITMENTS

There were no material capital commitments as at the date of this report.

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS FOR THE ACE MARKET

B1. REVIEW OF YEAR-ON-YEAR PERFORMANCE

For the three months period ended 31 March 2011, the Group recorded revenue of RM8.5 million, a decline of 31% as compared to RM12.4 million registered in the corresponding period last year. The decrease of RM3.9 million in revenue for the quarter under review was primarily due to lower domestic enterprise software and hardware sales.

Consequently, the Group had registered a loss of RM0.5 million in the reporting quarter as compared to a profit of RM2.2 million in the corresponding period last year.

B2. COMPARISON WITH IMMEDIATE PROCEEDING QUARTER'S RESULTS

	Current Qtr 31.03.2011 RM'000	**Preceding Qtr 31.12.2010 RM'000**
Revenue	8,523	5,679
Gross Profits	*7,183*	*5,322*
Gross Margin	*84.28%*	*93.71%*
Operating Profit/(Loss)	310	(1,928)
Adj : Doubtful debts provision	(143)	133
Amortisation	(656)	(652)
Finance costs	(30)	(51)
Profit/(Loss) Before Tax	(519)	(2,498)

For the current quarter under review, the Group recorded an increase in revenue by 50% to RM8.5 million as compared to RM5.7 million registered in the preceding quarter. The increase in revenue was a result of higher web-based enterprise software implementation and billings.

The Group registered an operating gain of RM0.3 million in the reporting quarter as compared to a loss of RM1.9 million in the preceding quarter. After accounting for the provision for bad and doubtful debts, amortization of deferred development costs and finance costs, totaling RM0.8 million, the Group registered a loss before tax of RM0.5 million during the current quarter ended 31 March 2011.

B3. BUSINESS PROSPECTS

With the successful completion of Right Issues on 21 February 2011 and the enlarged capital, the Group is better placed to strengthen its operational capacity.

The Group will continue its effort to expand and improve its web-based IT solutions to enhance products' development and functionality as the Board is confident that these expansion efforts will contribute positively to future growth of the Group.

Barring any unforeseen circumstances, the Board believes that the performance of the Group for the financial year ending 31 December 2011 shall be better than the previous year.

B4. PROFIT FORECAST

The Group has not provided any profit forecast in any public documents for the current quarter under review.

B5. INCOME TAX EXPENSE

	Cumulative Quarter 3 months ended 31.03.2011 RM
Current tax	3,200
Deferred tax	-
	3,200

B6. PROFIT OR LOSS ON SALE OF INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments and properties during the current quarter under review.

B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchases of quoted securities for the current quarter and financial year to date.

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

Except as disclosed below, there were no other corporate proposals announced but not completed as at to-date:-

On 29 October 2010, the Board of Directors of IFCA MSC Berhad ("IFCA") announced that the Company proposed to undertake the following:

(i) Renounceable rights issue of 143,351,000 new ordinary shares of RM0.10 each in IFCA ("Rights Shares") together with 143,351,000 free detachable warrants ("Warrants") on the basis of one (1) Rights Share and one (1) free Warrant for every two (2) existing ordinary shares of RM0.10 each in IFCA ("IFCA Shares") held on an entitlement date to be determined later;

(ii) Increase in authorized share capital of IFCA from RM50,000,000 comprising 500,000,000 IFCA Shares to RM75,000,000 comprising 750,000,000 IFCA Shares by the creation of an additional 250,000,000 Shares; and

(iii) Amendments to the Memorandum and Articles of Association of IFCA .

(collectively referred to as “the Proposals”)

The approvals required for the Proposals as follows have been obtained:

1) Bursa Malaysia Securities Berhad (“Bursa Securities”) via its letter dated 22 November 2010, the approval-in-principal for:
   i) Listing of and quotation for up to 143,351,000 new ordinary shares of RM0.10 each to be issued pursuant to the Proposed Right Issue with Warrants;

ii) Admission to the Official List of Bursa Securities and the listing of and quotation for up to 143,351,000 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants; and

iii) Listing of and quotation for up to 143,351,000 new ordinary shares of RM0.10 each to be issued pursuant to the exercise of Warrants,

2) Bank Negara Malaysia via its letter dated 25 November 2010 (which was received on 1 December 2010) for the issue of Warrants to the entitled non-resident subscribing shareholders of the Company;

3) The shareholders of the Company at the Extraordinary General Meeting ("EGM") dated 17 December 2010 for all the resolutions as sets out in the Notice of EGM dated 25 November 2010.

On 20 December 2010, OSK Investment Bank Berhad ("OSK") had, on behalf of the Company, announced that the Board has fixed the issue price of the Rights Shares at RM0.10 per Rights Share and the exercise price of the Warrant to be issued pursuant to the Rights Issue with Warrants is fixed at RM0.10 per Warrant.

On 30 December 2010, OSK had, on behalf of the Company, announced that the Entitlement Date has been fixed on 13 January 2011 at 5.00 p.m. and the other relevant dates pertaining to the Rights Issue with Warrants.

On 10 February 2011, OSK had, on behalf of the Company, announced that the Rights Shares have been oversubscribed by 34.51% (49,476,087 Rights Shares) over the total of 143,351,000 Rights Shares available for subscription under the Rights Issue with Warrants.

The Rights Issue was completed on 21 February 2011 following the admission of the Warrants to the Official List of Bursa Securities, and the listing of and quotation for the 143,351,000 Rights Shares and 143,351,000 Warrants on the ACE Market of Bursa Securities on 21 February 2011.

B9. GROUP BORROWINGS AND DEBT SECURITIES

The total borrowings of the Group as at 31 March 2011 comprised of hire purchase liabilities & finance lease amounting to RM 1,890,258 analyzed as follows:

	RM
Secured - due within 12 months	1,065,448
Secured - due after 12 months	824,810
	1,890,258

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group has no off-balance sheet financial instruments at the date of this announcement.

B11. MATERIAL LITIGATION

The Group does not have any material litigation, of which, in the opinion of the Directors, would have a material adverse effect on the financial results of the Group as at the date of this announcement.

B12. DIVIDEND PAYABLE

No interim ordinary dividend has been declared for the financial period ended 31 March 2011.

B13. EARNINGS PER SHARE

	3 months ended	
	31.03.2011	**31.03.2010**
	RM	**RM**
Total Comprehensive Income/(Expense) attributable to:		
Owners of the company	(682,926)	1,787,569
Minority Interest	161,155	378,254
	(521,771)	2,165,823
		-
Number of shares		
Weighted average number of ordinary shares in issue	430,053,000	286,702,000
(Loss)/Profit per share (sen)		
- Basic	(0.16)	0.62
- Diluted	(0.16)	0.62

B14. UTILISATION OF PROCEEDS

As at 31 March 2011, the Company has utilised approximately 4% of the proceeds raised from its Rights Issue which was completed on 21 February 2011. The breakdown of the utilization is as follows:

	Nature of Expenses	Proposed Amount RM'000	Actual Utilisation		Un-utilised Amount		Intended Timeframe for Utilisation
			RM'000	%	RM'000	%	
i.	Working Capital and Business Expansion	6,011	-	-	6,011	100	Within 2 years from the listing of the Rights Shares
ii.	Research and Development	4,088	-	-	4,088	100	Within 2 years from the listing of the Rights Shares
iii.	Sales and Marketing	3,406	-	-	3,406	100	Within 2 years from the listing of the Rights Shares
iv.	Expenses for the Proceeds	830	595	4%	235	28%	
	Total	**14,335**	**595**		**13,740**		

B15. DISCLOSURE OF RELIASED AND UNREALISED PROFITS

The breakdown of the retained losses of the Group as at 31 March 2011 into realized and unrealized losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and is compiled in accordance with Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

	31.03.2011 RM'000	31.12.2010 RM'000 (audited)
Total accumulated losses of IFCA MSC Berhad and its subsidiaries:		
- Reliased	(19,421,846)	(18,277,173)
- Unrealised	(330,456)	(432,946)
	(19,752,302)	(18,710,119)
Less: Consolidation adjustments	12,404,159	12,044,903
Total group accumulated losses as per consolidated accounts	(7,348,143)	(6,665,216)

B16. AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors during its meeting held on 24 May 2011.