

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2013
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 Malaysian Financial Reporting Standard (“MFRS”) 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 2012 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 2012.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group in this quarterly financial statement are consistent with those of the annual financial statements for the year ended 31 December 2012.

The adoption of the following MFRSs, Amendments to MFRSs and IC Interpretation that came into effect on 1 January 2013 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

*MFRS 10	Consolidated Financial Statements (effective from 1 January 2013)
*MFRS 12	Disclosure of Interests in Other Entities (effective from 1 January 2013)
*MFRS 13	Fair Value Measurement (effective from 1 January 2013)
*MFRS 119 (2011)	Employee Benefits (effective from 1 January 2013)
*MFRS 127 (2011)	Separate Financial Statements (effective from 1 January 2013)
*Amendments to MFRS 7	Financial Instruments: Disclosures (effective from 1 January 2013)
*Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income (effective from 1 July 2012)
*Annual Improvement to MFRS 2009 – 2011 Cycle	(effective from 1 January 2013)
*Amendments to Consolidated Financial Statements, Joint Arrangements and Disclosure of MFRS 10, 11 and 12	Interests in Other Entities: Transition Guidance (effective from 1 January 2013)

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A2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group did not early adopt the following standards that have been issued by the Malaysian Accounting Standards Board as these are effective for financial period beginning on or after 1 January 2014:

*IC Interpretation 21	Levies (effective from 1 January 2014)
*MFRS 9	Financial Instruments (effective from 1 January 2015)
*Amendments to MFRS 132	Financial Instruments: Presentation (effective from 1 January 2014)
*Amendments to MFRS 10, 12 and 127	Investment Entities (effective from 1 January 2014)
*Amendments to MFRS 136	Recoverable Amount Disclosure for Non-Financial Assets (effective from 1 January 2014)
*Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting (effective from 1 January 2014)

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the year ended 31 December 2012 was not subject to qualification.

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 2012. 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 December 2013.

A8. DIVIDENDS PAID

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

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A9 SEGMENTAL INFORMATION

Segmental information for the twelve months ended 31 December 2013 and 31 December 2012 are as follows:

	Malaysia		Overseas		Elimination		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE								
External sales	36,766,732	34,257,185	15,551,692	11,673,694			52,318,424	45,930,879
Inter-segment sales	13,439,050	8,831,985			(13,439,050)	(8,831,985)	-	-
Total Revenue	50,205,782	43,089,170	15,551,692	11,673,694	(13,439,050)	(8,831,985)	52,318,424	45,930,879
RESULT								
Segment results	7,917,607	7,890,147	(2,910,656)	(515,647)			5,006,951	7,374,500
margin %	16%	18%	-19%	-4%				
Amortisation							(2,158,158)	(2,848,949)
Depreciation							(929,338)	(951,385)
Finance costs							(31,071)	(46,922)
Profit before tax							1,888,384	3,527,244
Income tax expense							(241,264)	(248,394)
Profit for the period							1,647,120	3,278,850

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 arising in the period from 1 January 2014 to the date of this announcement, which will have a material effect on the financial results of the Group for the period under review.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current reporting quarter;

A13. CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities since the last reporting date as at 31 December 2013.

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

The Group recorded revenue of RM52.32 million for the year ended 31 December 2013 representing a 14% growth compared to the previous financial year. The expansion was attributable to higher billings in software sales and training/implementation services particularly in the China market segment.

The Group is continuing its expansion drive. Our Research & Development center continues to enhance and roll out new releases with mobile and cloud computing capabilities. New business units were set-up and marketing activities intensified to target bigger market share in the near future. As a direct result, the Group recorded higher operating expenditure in the current year compared to the same period last year.

The Group reported profit before tax of RM1.89 million for the twelve months ended 31 December 2013. Profit after taxation and non-controlling interest stood at RM1.71 million.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Qtr 31.12.2013 RM '000	Preceding Qtr 30.09.2013 RM '000
Revenue	14,346	15,262
<i>Gross Profits</i>	<i>11,935</i>	<i>12,891</i>
<i>Gross Margin</i>	<i>83.2%</i>	<i>84.5%</i>
(Loss)/Profit Before Tax	(75)	1,950

B3. BUSINESS PROSPECTS

Outlook for 2014 looks promising. Business momentum continues to be strong across all our business units. In addition, with the introduction of Goods and Services Tax (GST), we anticipate our existing clients and potential new clients will need to upgrade their systems to meet the GST reporting requirement.

The Group's foray overseas, especially in China is expected to continue to be robust in the coming financial year, as the sales order recorded significant growth compared to the preceding year.

The Group is optimistic that it will continue to report healthy growth in the next financial year.

B4. PROFIT FORECAST

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

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B5. INCOME TAX EXPENSE

	Cumulative Quarter 3 months ended 31.12.2013 RM	Cumulative Quarter 12 months ended 31.12.2013 RM
Current Year	(72,171)	214,172
Deferred tax	27,092	27,092
	<u>(45,079)</u>	<u>241,264</u>

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

There were no sales of unquoted investments and/or 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

There are no other corporate proposals announced but not completed as at the date of this report.

B9. GROUP BORROWINGS AND DEBT SECURITIES

The total borrowings of the Group as at 31 December 2013 comprised of hire purchase payable & finance lease amounting to RM 450,293 analyzed as follows:

	RM
Secured - due within 12 months	264,935
Secured - due after 12 months	185,358
	<u>450,293</u>

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

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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 report.

B12. DIVIDEND PAYABLE

No interim ordinary dividend has been declared for the financial period ended 31 December 2013.

B13. EARNINGS PER SHARE

	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM	RM	RM	RM
<i>Total Comprehensive (Loss)/Income attributable to:</i>				
Owners of the parents	70,603	485,536	1,706,509	3,479,046
Non-controlling Interests	(100,732)	(194,678)	(59,389)	(200,196)
	<u>(30,129)</u>	<u>290,858</u>	<u>1,647,120</u>	<u>3,278,850</u>
Number of shares				
Weighted average number of share in issue for basic earnings per share	450,053,000	450,053,000	450,053,000	435,462,836
Effect of dilutive potential ordinary shares from the exercise of warrants	143,351,000	143,351,000	143,351,000	143,351,000
Weighted average number of shares in issue of diluted earnings per share	593,404,000	593,404,000	593,404,000	578,813,836
Profit per share (sen)				
- Basic	0.02	0.11	0.38	0.80
- Diluted	0.01	0.08	0.29	0.60

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B14. UTILISATION OF PROCEEDS

As at 31 December 2013, the Company has utilized 100% 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	Actual Utilisation		Un-utilised Amount		Intended Timeframe for utilisation
		RM '000	RM '000	%	RM '000	%	
i.	Working Capital and Business Expansion	6,208	6,208	100%	-	0%	Within 3* years from the listing of the Rights Shares
ii.	Research and Development	4,088	4,088	100%	-	0%	Within 3* years from the listing of the Rights Shares
iii.	Sales and Marketing	3,406	3,406	100%	-	0%	Within 3* years from the listing of the Rights Shares
iv.	Expenses for the Proceeds	633	633	100%	-	0%	
	Total	14,335	14,335		-		

Note * The Proposed Amount was reclassified as per Announcement made to Bursa Malaysia Securities on 30 November 2012. On 20 February 2013, the Board announced that it will extend the timeframe for the utilization of proceeds from 2 years to 3 years.

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B15. NOTES TO THE CONDENSED STATEMENT OF COMPREHENSIVE INCOME

GROUP	Year-to-date ended	
	Twelve months ended	
Profit before tax is arrived at after (charging) / crediting :	31.12.2013	31.12.2012
	RM	RM
Depreciation of PPE	(929,338)	(951,385)
Amortisation of Deferred Development Expenditure	(2,158,158)	(2,848,949)
Interest expenses	(31,071)	(46,922)
Interest income from short term deposits	475,674	558,393
Rental Income	19,560	19,430
Bad Debt Recovered	295,914	368,771
Net allowance of allowance for doubtful debt	(580,798)	(764,686)
Net gain/(loss) on foreign exchange	691,964	(713,824)
Net loss on disposal of PPE	(4,703)	(11,678)
Impairment of quoted/unquoted securities	(126,761)	(720,729)
Impairment of investment property	(186,900)	-

There were no gains/losses on disposal of quoted and unquoted securities, investments and/or derivatives included in the results for the current quarter and preceding year corresponding quarter.

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B16. DISCLOSURE OF REALIZED AND UNREALIZED PROFITS

The breakdown of the retained losses of the Group as at 31 December 2013 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 Realized and Unrealized 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.

	As at 31.12.2013 RM	As at 31.12.2012 RM
Total accumulated losses of IFCA MSC Berhad and its subsidiaries:		
- Realised	(30,221,050)	(29,446,482)
- Unrealised	(2,031,636)	(165,584)
	<u>(32,252,686)</u>	<u>(29,612,066)</u>
Less: Consolidation adjustments	24,356,974	20,009,845
Total group accumulated losses as per consolidated accounts	<u>(7,895,712)</u>	<u>(9,602,221)</u>

B17. LIMITED REVIEW BY EXTERNAL AUDITOR

The condensed consolidated interim financial statements have been reviewed by the Company's external auditors in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as directed by Bursa Malaysia as per its letter dated 30 August 2013.

B.18 AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors during its meeting held on 27 February 2014.