

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2014
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 2013 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 2013.

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 2013.

The adoption of the following MFRSs, Amendments to MFRSs and IC Interpretation that came into effect on 1 January 2014 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

*Amendment to MFRS 10	:	Consolidated Financial Statements Investment Entities
*Amendment to MFRS 132	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
*Amendment to MFRS 136	:	Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets
*Amendment to MFRS 139	:	Financial Instrument – Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the year ended 31 December 2013 was not subject to qualification.

A4. SEASONAL OR CYCLICAL FACTORS

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

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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 2013. 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 2014.

A8 DIVIDENDS PAID

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

A9 SEGMENTAL INFORMATION

Segmental information for the three months ended 31 March 2014 and 31 March 2013 are as follows:

	Malaysia		Overseas		Elimination		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE								
External sales	9,773,122	6,751,374	3,916,872	3,031,648			13,689,994	9,783,022
Inter-segment sales	2,625,072	4,845,617			(2,625,072)	(4,845,617)	-	-
Total Revenue	12,398,194	11,596,991	3,916,872	3,031,648	(2,625,072)	(4,845,617)	13,689,994	9,783,022
RESULT								
Segment results	3,247,698	656,500	(1,845,865)	(875,810)			1,401,833	(219,310)
margin %	16%	18%	-19%	-4%				
Amortisation							(429,599)	(355,587)
Depreciation							(209,498)	(211,801)
Finance costs							(5,348)	(9,219)
Profit before tax							757,388	(795,917)
Income tax expense							(54,617)	(18,347)
Profit for the period							702,771	(814,264)

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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 April 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 March 2014.

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 RM13.69 million for the year ended 31 March 2014 representing a 40% growth compared to the previous financial year. The expansion was attributable to higher billings in software sales and training/implementation services particularly in the local market segment.

The Group is continuing its expansion drive. Apart from the pressure of higher wage demand experienced in the IT sector, 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 RM0.76 million for the three months ended 31 March 2014. Profit after taxation and non-controlling interest stood at RM0.70 million.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Qtr 31.03.2014 RM '000	Preceding Qtr 31.12.2013 RM '000
Revenue	13,690	9,783
<i>Gross Profits</i>	<i>11,504</i>	<i>8,871</i>
<i>Gross Margin</i>	<i>84.0%</i>	<i>90.7%</i>
Profit/(Loss) Before Tax	757	(795)

B3. BUSINESS PROSPECTS

Outlook for the remaining of 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) with effect from April 2015, 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 is expected to continue to be robust in the coming financial year, as the sales orders achieved 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 31.03.2014 RM
Current Year	54,617
Deferred tax	-
	<u>54,617</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 March 2014 comprised of hire purchase payable & finance lease amounting to RM 371,243 analyzed as follows:

	RM
Secured - due within 12 months	241,145
Secured - due after 12 months	<u>130,098</u>
	<u>371,243</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 March 2014.

B13. EARNINGS PER SHARE

	31.03.2014	31.03.2013
	RM	RM
<i>Total Comprehensive (Loss)/Income attributable to:</i>		
Owners of the parents	420,793	(506,373)
Non-controlling Interests	281,978	(307,891)
	702,771	(814,264)
Number of shares		
Weighted average number of share in issue for basic earnings per share	450,053,000	450,053,000
Effect of dilutive potential ordinary shares from the exercise of warrants	143,351,000	143,351,000
Weighted average number of shares in issue of diluted earnings per share	593,404,000	593,404,000
Profit per share (sen)		
- Basic	0.09	(0.11)
- Diluted	0.07	(0.09)

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B14. NOTES TO THE CONDENSED STATEMENT OF COMPREHENSIVE INCOME

GROUP	Year-to-date ended	
	Three months ended	
	31.03.2014	31.03.2013
Profit before tax is arrived at after (charging) / crediting :	RM	RM
Depreciation of PPE	(209,499)	(211,801)
Amortisation of Deferred Development Expenditure	(429,599)	(355,587)
Interest expenses	(5,348)	(9,219)
Interest income from short term deposits	67,420	75,854
Rental Income	4,890	4,890
Net gain/(loss) on foreign exchange	(224,769)	(532,588)
Impairment of quoted/unquoted securities	(1,655)	(65,379)

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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B15. DISCLOSURE OF REALIZED AND UNREALIZED PROFITS

The breakdown of the retained losses of the Group as at 31 March 2014 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	As at
	31.03.2014	31.03.2013
	RM	RM
Total accumulated losses of IFCA MSC Berhad and its subsidiaries:		
- Realised	(31,673,418)	(29,893,714)
- Unrealised	(2,787,467)	(2,456,304)
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	(34,460,886)	(32,350,018)
Less: Consolidation adjustments	27,007,675	21,175,612
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Total group accumulated losses as per consolidated accounts	<u>(7,453,211)</u>	<u>(11,174,406)</u>

B16. 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.17 AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors during its meeting held on 20 May 2014.