

IRIS CORPORATION BERHAD

(Company No. 302232 - X)
(Incorporated in Malaysia)

Interim Financial Report for the First quarter ended 30th June 2013

Contents: -	Page
Condensed Consolidated Statement of Comprehensive Income	2-3
Condensed Consolidated Statement of Financial Position	4-5
Condensed Consolidated Statement of Changes in Equity	6-7
Condensed Consolidated Cash Flow Statement	8-9
Notes to the Interim Financial Report	10-22

Condensed Consolidated Statement of Comprehensive IncomeFor the First quarter ended 30th June 2013

	Individual 3 months ended		Cumulative 3 months ended	
	30 th June 2013 RM'000	30 th June 2012 RM'000	30 th June 2013 RM'000	30 th June 2012 RM'000
Revenue	133,914	102,466	133,914	102,466
Cost of sales	(98,663)	(74,739)	(98,663)	(74,739)
Depreciation and amortization	(5,527)	(2,992)	(5,527)	(2,992)
Gross profit	29,724	24,735	29,724	24,735
Other income	79	2,052	79	2,052
Administrative and operating expenses	(13,768)	(12,510)	(13,768)	(12,510)
Depreciation and amortisation	(1,710)	(1,206)	(1,710)	(1,206)
Finance costs	(5,461)	(2,498)	(5,461)	(2,498)
Share of profit/(loss) of associates	96	(135)	96	(135)
Profit before taxation	8,960	10,438	8,960	10,438
Tax expense	(2,735)	(3,153)	(2,735)	(3,153)
Profit for the period	6,225	7,285	6,225	7,285
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	6,225	7,285	6,225	7,285
Profit attributable to:				
Owners of the Company	7,678	8,334	7,678	8,334
Non-controlling interests	(1,453)	(1,049)	(1,453)	(1,049)
Profit for the period	6,225	7,285	6,225	7,285

Condensed Consolidated Statement of Comprehensive IncomeFor the First quarter ended 30th June 2013

(continued)

	Individual 3 months ended		Cumulative 3 months ended	
	30 th June 2013 RM'000	30 th June 2012 RM'000	30 th June 2013 RM'000	30 th June 2012 RM'000
Total comprehensive income attributable to:				
Owners of the Company	7,678	8,334	7,678	8,334
Non-controlling interests	(1,453)	(1,049)	(1,453)	(1,049)
Total comprehensive income for the period	6,225	7,285	6,225	7,285
Earnings per share attributable to owners of the Company:				
Basic (Sen)	0.49	0.53	0.49	0.53
Diluted (Sen)	0.47	0.47	0.47	0.47

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2013 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Financial PositionAs at 30th June 2013

	30 th June 2013 RM'000	31 st March 2013 RM'000
ASSETS		
NON-CURRENT ASSETS		
Investment in associates	7,824	7,728
Property, plant and equipment	168,934	162,354
Concession assets	183,528	185,892
Intellectual properties	19,420	7,628
Available-for-sale financial assets	406	406
Goodwill on consolidation	141,511	141,511
	521,623	505,519
CURRENT ASSETS		
Inventories	105,780	94,616
Trade receivables	194,480	224,790
Amount owing by contract customers	113,030	87,576
Other receivables, deposits & prepayments	106,786	109,094
Amount owing by associates	1,161	2,089
Amount owing by related parties	6	215
Tax refundable	9,584	9,211
Deposits with licensed banks	22,122	21,687
Cash and cash equivalents	29,016	37,163
	581,964	586,441
TOTAL ASSETS	1,103,588	1,091,960
EQUITY AND LIABILITIES		
EQUITY		
Share capital	236,459	236,459
Share premium	35,211	35,211
Warrants reserve	10,609	10,609
Foreign exchange translation reserve	(1,199)	(1,199)
Revaluation reserve	26,823	26,904
Retained earnings	115,834	108,075
Total equity attributable to owners of the Company	423,737	416,059
Non-controlling interests	39,688	41,141
TOTAL EQUITY	463,425	457,200

Condensed Consolidated Statement of Financial PositionAs at 30th June 2013

(continued)

	30 th June 2013 RM'000	31 st March 2013 RM'000
NON-CURRENT LIABILITIES		
Other payables	185	168
Hire purchase payables	3,941	4,309
Lease payables	182	242
Term loan	92,248	98,498
Deferred tax liabilities	13,534	13,534
	110,090	116,751
CURRENT LIABILITIES		
Trade payables	44,356	42,163
Other payables and accruals	292,885	293,574
Amount owing to associates	423	418
Amount owing to related parties	-	5
Hire purchase payables	2,612	2,096
Lease payables	240	240
Short-term borrowings	175,341	167,837
Provision for taxation	14,216	11,676
	530,073	518,009
TOTAL LIABILITIES	640,163	634,760
TOTAL EQUITY AND LIABILITIES	1,103,588	1,091,960
Net assets per ordinary share attributable to owners of the Company (sen)	26.88	26.39

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2013 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the First quarter ended 30th June 2013

	← Non-Distributable →					Distributable	Attributable to the owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Ordinary Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000			
At 1 st April 2012	236,257	35,211	10,616	(412)	27,233	93,773	402,678	(1,000)	401,678
Realisation on usage of property	-	-	-	-	(82)	82	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	8,334	8,334	(1,049)	7,285
At 30th June 2012	236,257	35,211	10,616	(412)	27,151	102,189	411,012	(2,049)	408,963

Condensed Consolidated Statement of Changes in Equity

For the First quarter ended 30th June 2013

(continued)

	← Non-Distributable →					Distributable		Non-controlling Interests RM'000	Total Equity RM'000
	Ordinary Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Attributable to the owners of the Company RM'000		
At 1 st April 2013	236,459	35,211	10,609	(1,199)	26,904	108,075	416,059	41,141	457,200
Realisation on usage of property	-	-	-	-	(81)	81	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	7,678	7,678	(1,453)	6,225
At 30th June 2013	236,459	35,211	10,609	(1,199)	26,823	115,834	423,737	39,688	463,425

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2013 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow StatementFor the First quarter ended 30th June 2013

	Cumulative 30th June 2013 RM'000	Cumulative 30th June 2012 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	8,960	10,438
Adjustments for:		
Non-Cash Items	7,224	4,533
Interest income	(63)	(55)
Finance costs	5,461	2,498
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	21,582	17,414
Changes in working capital		
Net changes in current assets	(2,864)	(23,491)
Net changes in current liabilities	1,521	(5,057)
NET CASH GENERATED FROM OPERATIONS	20,239	(11,134)
Interest received	63	55
Interest paid	(5,461)	(2,498)
Tax paid	(568)	(525)
NET CASH FROM /(FOR) OPERATING ACTIVITIES	14,273	(14,102)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of an intangible asset	(12,240)	-
Proceeds from disposal of plant and equipment	-	(995)
Purchase of plant and equipment	(10,869)	-
Purchase of concession assets	(219)	(173)
NET CASH FOR INVESTING ACTIVITIES	(23,328)	(1,168)

Condensed Consolidated Cash Flow StatementFor the First quarter ended 30th June 2013

(continued)

	Cumulative 30th June 2013 RM'000	Cumulative 30th June 2012 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from/(repayment of) hire purchase and lease payables	88	(1,924)
Net proceeds/(repayment of) short term borrowings	47,011	(17,133)
Proceeds from drawdown of trade and term loans	28,904	47,739
Repayment of trade and term loans	(74,660)	(25,509)
NET CASH FROM FINANCING ACTIVITIES	1,343	3,173
Net changes in cash and cash equivalents	(7,712)	(12,097)
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of the year	50,398	88,824
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	42,686	76,727

Cash and cash equivalents at end of the period comprise the following balance sheet amounts:

Deposits with licensed banks	22,122	28,661
Cash and bank balances	29,016	48,066
Less: Deposits pledged with licensed banks	(8,452)	-
	42,686	76,727

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2013 and the accompanying explanatory notes attached to the interim financial report.

Notes to the Interim Financial Report

For the First quarter ended 30th June 2013

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30th June 2013 and has been prepared in compliance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31st March 2013.

2. Audit report of preceding annual financial statement

The preceding year audited financial statements were not subject to any qualifications.

3. Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors in the First quarter.

4. Segment information

The Group's operating segments information for the interim financial report to 30th June 2013 was as follows:-

	Trusted Identification & Payment and Transportation	Sustainable development, Agro and Food & Industrial Building Systems	Environment & Renewable Energy	Inter- segment Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	87,789	35,644	10,481	-	133,914
Segment results	30,364	(3,548)	2,909	-	29,724
Unallocated corporate expenses					(15,478)
Other income					79
Operating profit					14,325
Finance costs					(5,461)
					8,864
Share of profit of associates					96
Profit before taxation					8,960
Income tax expense					(2,735)
Profit after taxation					6,225

5. Capital Commitments

Authorised and contracted for:-	As at 30th June 2013 RM'000
Purchase of property, plant and equipment	1,691

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities for this quarter.

7. Changes in the composition of the Group

(a) Acquisition of paid-up share capital of Platinum Encoded Sdn Bhd

The Company had on 11th April 2013 acquired 2 ordinary shares of RM1.00 each representing a 100% equity interest in Platinum Encoded Sdn Bhd for a total cash consideration of RM2.00.

Platinum Encoded is currently dormant and its intended business activity is to be an investment holding company for all educational business undertaken by ICB's subsidiaries.

8. Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current financial period.

9. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter.

10. Items of an unusual nature

There were no items of unusual nature, which affects assets, liabilities, equity, net income or cash flows in the First quarter.

11. Valuations of property, plant and equipment

There were no valuations made on property, plant and equipment for this quarter.

12. Changes in contingent liabilities and contingent assets

Contingent Liabilities

There are no contingent liabilities incurred or known to be incurred by the Company and/or the Group as at 30th June 2013, except as disclosed below:

- i) The counter guarantees given to local and foreign banks for Performance Bond issued on behalf of the Group amounted to RM105,623,135.
- ii) On 14th May 2010, the Company had entered into a Guarantee Agreement with PJT as the guarantor of PJT for the benefit of Government Savings Bank in Thailand ("The Bank") for up to Thai Baht 640 million (equivalent to RM64.5 million), which is equivalent to the facilities limit of the Credit Facilities Agreement dated 14th May 2010 that has been entered into between PJT and the Bank.

13. Taxation

	Individual		Cumulative	
	3 months ended	3 months ended	3 months ended	3 months ended
	30th June	30th June	30th June	30th June
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Income tax				
- Current financial year	(2,735)	(3,153)	(2,735)	(3,153)
- Over/(Under) provision in prior years	-	-	-	-
	<u>(2,735)</u>	<u>(3,153)</u>	<u>(2,735)</u>	<u>(3,153)</u>
Deferred tax				
- Current financial year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total tax expense	<u>(2,735)</u>	<u>(3,153)</u>	<u>(2,735)</u>	<u>(3,153)</u>

The Group's effective tax rate is higher than the statutory tax rate of 25% mainly due to losses in subsidiaries which were not available for tax relief at the Group level and the non-deductibility of certain operating expenses for tax purposes.

14. Related Party Transactions

The significant transactions with related parties of the Group for the cumulative 3 months period ended 30th June 2013 were as follows:

A company in which a key management of the Company has financial interest	RM'000
MCS Microsystems Sdn Bhd	
- Acquisition of an intangible asset	<u>12,240</u>

Additional information required by the AMLR

15.1 Review of Performance

For the current financial quarter ended 30th June 2013, the Group recorded a revenue of RM133.9 million from 102.5 million, which is 30.6% higher as compared to the previous comparable quarter last year.

Whilst the current financial quarter recorded higher revenue, profit before taxation decreased by 13.5% to RM8.96 million compared to profit before taxation of RM10.4 million in the previous comparable quarter. The lower profit before taxation was mainly due to higher interest costs incurred in the current quarter and higher unrealized foreign currency exchange gain recognized in the previous comparable quarter.

The traditional core business - Trusted Identification Division and Payment & Transportation Division recorded lower revenue of RM87.8 million in the current financial quarter ending 30th June 2013 from RM98.8 million in the previous comparable quarter, representing decrease of 11.3%. The lower revenue was mainly attributed to the completion of Malaysia e-Passport ICAO Compliance Project in the last financial year and lower delivery of Tanzania e-ID in the current reporting quarter.

The Sustainable Development, Agro and Food Technology and Industrial Building Systems Division recorded higher revenue of RM35.6 million in the current financial quarter ending 30th June 2013. The revenue for these divisions was minimal in the previous comparable quarter as these divisions were newly set up and re-organized in the last financial year.

The Environment & Renewable Division recorded revenue of RM10.5 million from RM1.0 million compared to the same period in the financial quarter ending 30th June 2012. The increase was mainly due to the sales of electricity generated from the Waste-to-Energy Incinerator Plant in Phuket, Thailand. The plant was completed and commissioned in July 2012.

15.2 Comparison with Preceding Quarter

For the current financial quarter ended 30th June 2013, the Group recorded revenue of RM133.9 million in the financial quarter ended 30th June 2013 representing a decrease of 28.5% as compared to RM187.3 million in the preceding financial quarter ended 31st March 2013. The lower revenue was mainly due to lower sales recognized for the Tanzania e-ID project in the current financial quarter ending 30th June 2013.

Whilst the current financial quarter recorded lower revenue, profit before taxation increased to RM8.96 million in the financial quarter ended 30th June 2013 representing an increase of 9.8% as compared to profit before taxation of RM8.16 million in the previous financial quarter ended 31st March 2013.

16. Prospects

For the coming financial year 2014, the prospects for the core business remain bright. The division's revenue is expected to be derived mainly from the trusted identification's projects, namely Malaysia e-Passport inlays, Nigeria e-Passport inlays, Tanzania e-ID cards project and Bangladesh MRP Passport project. The Automatic Fare Collection Project and banking cards will contribute positively to the Payment and Transportation's performance.

In line with the Government's ETP initiatives, more affordable housing programmes and modern rural projects are expected to be launched by the Government. The management believes that the aforesaid initiatives would benefit the relevant divisions within the ICB Group such as its Sustainable Development Division, Food & Agro Technology Division and Koto Industrialised Building Division in the coming FYE 31 March 2014 whereby the Group may use its expertise in integrated farming systems and IRIS Koto Industrial Building Systems ("IBS") with the successful implementation of the two Rimbunan Kaseh and one Sentuhan Kasih Programme in FY 2013, which are the modern rural programmes launched and undertaken by the Company. A sub-division will be established in the coming financial year under the Food & Agro Technology Division for marketing and distribution of farm produce generated from the Rimbunan Kaseh and Sentuhan Kasih farms. The company anticipates that the various marketing and distribution mechanism would help the Division to contribute positively in the coming financial year 2014.

For the Environment & Renewable Energy Division, the 700-tonnes Waste-to-Energy Incinerator Plant in Phuket, Thailand and the newly set up 300-tonnes Food Waste-to-Fertilizer Plant in Weinan, China are expected to produce positive results in the coming financial year 2014.

In view of the above on-going contracts, the Group is optimistic that its performance will remain satisfactory for the financial year ending 31st March 2014.

17. Variance between actual results and forecasted profit and shortfall in profit guarantee

The Group has not provided any profit forecast or profit guarantee in a public document.

18. Unquoted Securities and/or Properties

There were no purchases or disposals of unquoted securities and/or properties for the current quarter and financial year to date.

19. Quoted Securities

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

20. Available-for-sale financial assets

Available-for-sale financial assets represent investment and deposits paid in respect of:

	At 30th June 2013 RM'000
Investment in an unquoted shares in Malaysia	273
Investment in an unquoted shares in Singapore	2,378
Investment in an unquoted shares in Hong Kong	981
Golf Club Membership	406
(Less): Allowance for diminution in value	<u>(3,632)</u>
	<u>406</u>

21. Status of Corporate Proposals and utilisation of proceeds

There were no corporate proposals announced but not completed as at 20th August 2013, being the latest practicable date which is not earlier than seven (7) days from the date of issue of this quarterly report except as disclosed below:

The Company had proposed a private placement of up to 394,098,381 ICB Shares of the issued and paid-up share capital of the Company to FELDA or any of its wholly-owned subsidiaries. The proposed private placement will be subject to shareholders approval at the forthcoming Extraordinary General Meeting.

22. Group Borrowings and Debt Securities

The Group's borrowings from financial institutions at the end of the current quarter were:

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured	<u>175,341</u>	<u>92,248</u>	<u>267,589</u>

All of the above borrowings are denominated in Ringgit Malaysia other than trade and term loan borrowings amounting to RM30.7 million, RM1.1 million and RM55.0 million that are denominated in USD dollar, EURO and Thai Bath respectively.

23. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 20th August 2013 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

24. Material Litigation

Save for the material litigations as disclosed below, there are no other material litigations involving the Group as at 20th March 2013:

(a) *ICB and Japan Airlines International Co. Ltd.*

On 29 November 2006, IRIS Corporation Berhad (“ICB”, “IRIS” or “the Company”) filed a lawsuit against Japan Airlines International Co., Ltd. (“JAL”) in the U.S. District Court, Eastern District of New York for JAL’s infringement of ICB’s United States (“US”) patent. This claim is based on the allegation that JAL’s inspection of passports at the US airports infringed ICB’s patent over a method of manufacturing secured electronic passports.

JAL had filed a motion to dismiss the claim. ICB’s solicitors (the “Solicitors”) had opposed the motion to dismiss. The briefs on the motion had been filed in June 2007. The District Court had on 30 September 2009 granted JAL’s motion to dismiss the claim and the decision had stated that the patent protections conferred on ICB conflicted with, and were superseded by JAL’s federal legal obligation to inspect passengers’ passports. ICB filed a notice of appeal to the United States Court of Appeals for the Federal Circuit in Washington. Subsequent to the appeal, JAL filed for bankruptcy protection in the US. The appeal was then stayed by pending the outcome of the JAL’s bankruptcy proceedings. On 28 March 2011, JAL has completed its corporate reorganisation proceedings in Japan.

Regarding the bankruptcy proceedings, pursuant to the latest Appellee’s Status Report dated 26 April 2013, although JAL is out of bankruptcy in Japan, the bankruptcy proceedings are still pending in the US Bankruptcy Court and therefore the stay is still in effect.

We have been informed by our Solicitors that even though the JAL bankruptcy proceedings have been terminated, there has been no entry in the US Bankruptcy Court for the Southern District of New York (SDNY) docket sheet of a section 1518 statement. A 1518 statement refers to a section in the US Bankruptcy laws requiring the attorney for the debtor (JAL) to file a 1518 Statement advising the US Court of termination of foreign proceedings. Once it is filed, the same will be served on IRIS and our Solicitor will advise us if the court will entertain a motion to have the US” stay” lifted and for our patent litigation to be heard.

(b) *IRIS Technologies (M) Sdn Bhd and its joint venture Turkish partner, Kunt Elektronik San.Ve Tic. A.S and Emniyet Genel Mudurlugu*

IRIS Technologies (M) Sdn Bhd (“ITSB”), a wholly owned subsidiary of the Company, and its joint venture Turkish partner Kunt Elektronik San.Ve Tic. A.S (“KUNT”) (“JV Company”) had on 17 September 2010 received a Letter of Termination dated 14 September 2010 (“Letter of Termination”), from Emniyet Genel Mudurlugu (“EGM”), known as General Directorate of Security in relation to the provision of the Electronic Passport Issuing Systems in Turkey (“The Agreement”).

24. Material Litigation (cont'd)

- (b) *IRIS Technologies (M) Sdn Bhd and its joint venture Turkish partner, Kunt Elektronik San.Ve Tic. A.S and Emniyet Genel Mudurlugu (cont'd)*

Pursuant to the Letter of Termination, EGM requested for refund of New Turkish Lira (“YTL”) 6.195million (equivalent to approximately RM14.6 million at an exchange rate of YTL 1: RM2.36 as at 18 September 2009) which is equivalent to the first phase payment received by the Joint Venture Company between ITSB and KUNT. Subsequently, all the hardware and equipment delivered shall be returned to the JV Company.

On 18 September 2009, Messrs Sen & Arpaci had on behalf of the JV Company, made an application to the Ankara Civil Court of Turkey (“Court”), for an injunction to restrain EGM from claiming on the performance bond submitted by the JV Company in year 2007.

On 24 September 2009, an interlocutory injunction was obtained by the JV Company from the Court. Subsequently, Messrs Sen & Arpaci had on 5 October 2009 filed a lawsuit against EGM in Ankara Court of First Instance (“Ankara Court”) for the unlawful termination of the Agreement. The JV Company is claiming a total of YTL 5 million from EGM and the return of the performance bond.

On 23 March 2010, EGM presented a counter claim, claiming approximately YTL 5.25 million from the JV Company. Specifically, the EGM is seeking to return all the hardware and equipments to the JV Company in exchange for a refund of YTL 5.25 million paid to the JV Company. On 10 June 2010, the judge had requested the JV Company to submit the precise damages amount(s) to be claimed against EGM so that the judge can decide which component court will hear the matter.

On 5 October 2010, the Courts accepted the JV Company’s new evidences submission and ordered EGM to reply to the new evidences submitted by the JV Company within 20 days from 5 October 2010. However, no decision was granted at this stage to the EGM for their claims of refund of YTL 5.25 million they have paid for the completion of phase 1 of the Project (for hardware and equipments delivered). At the same hearing, the Courts appointed three expert witnesses to study and analyse the case and the submissions of both Parties on commercial and technical grounds since the case is highly technical in nature.

On 20 March 2012, the Expert Report submitted was unfavourable towards the JV Company. The JV Company proceeded to file an appeal against the findings of the said Expert Technical Report. The Court decided that the file is to be sent to the same Court Experts for an additional technical report to be prepared on the grounds that the appeal is to be evaluated.

In parallel, EGM filed additional claims of loss of opportunity amounting to YTL 13.041 million against the JV Company on 14 September 2010. On 30 November 2010, the JV Company submitted evidences substantiating grounds for the rebuttal of this EGM’s additional claims. On 12 April 2011, the Court appointed two experts who are experienced in law and finance matters to resubmit a report on the case.

The Expert Report was submitted on 27 March 2012. The JV Company then appointed lawyers Messrs Sen & Arpaci to appeal against the submission of the negative indemnity provision reported in the said Expert Report. The Court has further adjourned pending the submission of an additional Expert Report.

24. Material Litigation (cont'd)

- (b) *IRIS Technologies (M) Sdn Bhd and its joint venture Turkish partner, Kunt Elektronik San.Ve Tic. A.S and Emniyet Genel Mudurlugu (cont'd)*

On 4th October 2012, the Court decided to merge both the abovementioned cases so that they can be heard concurrently.

Messrs. Sen & Arpaci are of opinion that the JV Company has a good chance of recovering the amount claimed. Messrs Sen & Arpaci is also of the view that the counter claim filed by EGM is likely to be rejected by the Ankara Court based on multiple legal issues that will be contemplated by the additional report.

- (c) *ICB and Stamford College Berhad*

IRIS Corporation Berhad (“the Company”/“Plaintiff”) had on 4 October 2012 entered into a Share Sale Agreement (“the Agreement”) with Stamford College Berhad (“SCB”) whereby Company agreed to purchase 51% of the fully paid up ordinary shares of Stamford College (PJ) Sdn Bhd (“SCPJ”) and Stamford College (Malacca) Sdn Bhd (“SCM”) (collectively referred to as the “Sale Shares”) for a total purchase consideration of RM2,500,000 (“the Purchase Consideration”).

Pursuant to the terms and conditions of the Agreement, the Company paid a sum of RM250,000 (“Deposit”) representing 10% of the Purchase Consideration and agreed to pay the balance Purchase Consideration subject to fulfillment of both parties obligations under Clause 4 of the Agreement. The Plaintiff avers that it has fulfilled its obligations under Clause 4 and sent a letter of demand for the balance Purchase Consideration via their then solicitors Messrs Tee, Tan & Partner. Upon not receiving the balance Purchase Consideration, the Plaintiff’s filed the Writ and Statement of Claim praying for the following:-

- (a) balance Purchase Consideration of RM2,250,000;
- (b) interest thereon at 5% per annum from the date of Judgement to full realisation;
- (c) interest on RM2,250,000.00 at 5% per annum from date of Judgement to full date of realisation; and
- (d) cost in the action and other such relief as the Court deems fit.

The Company has filed its Defence and Counterclaim. The Company as the Defendant prays for the following under the Defence and Counterclaim:-

- (a) the Plaintiff refund the sum of RM250,000 being the forfeited deposit and advance monies paid by for debts on behalf of the Defendant;
- (b) general damages; and
- (c) interest at such rate the Courts deem fit, costs and other relief.

The High Court at Kuala Lumpur has postponed the hearing of the Plaintiff’s application for Summary Judgment and the Company’s application to strike off the application for Summary Judgment and the Company’s application for Security for Cost simultaneously on 19 August 2013. The Court has also fixed the trial dates from 23 to 25 of September 2013 in the event the matter proceeds to trial.

24. Material Litigation (cont'd)**(d) IRIS Eco Power Sdn Bhd and IPSA Group Plc**

On 26 July 2013, IRIS Eco Power Sdn Bhd (“IEP”/Plaintiff), a wholly-owned subsidiary of the Company, has via it’s solicitors’ Messrs Chellam & Wong filed a Writ of Summons and Statement of Claim against IPSA Group Plc, a public listed company incorporated in the United Kingdom (the “Defendant”).

The legal suit is pursuant to IEP’s purchase of Equipment (defined as 2 gas turbine generating sets with ancillary equipment) from IPSA for a total purchase price of USD31,000,000 (equivalent to RM95,945,000) wherein the IEP paid a Deposit of USD3,100,000 (equivalent to RM 9,594,500) being 10% of the total purchase price.

As the Defendant failed to resolve certain pre-sales requirements raised by IEP, IEP has filed a claim for a refund of the Deposit paid to the Defendant amounting to USD3,100,000 (equivalent to RM9,594,500) together with the damages claim amounting to approximately RM21,500,000 in respect or in connection with the purchase of the said Equipment.

25. Realised and Unrealised retained earnings

Breakdown of retained earnings of the Group is as follows:

	As at 30th June 2013 RM’000	As at 31st March 2013 RM’000
Total retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	59,734	74,140
- Unrealised profits/(losses)	(17,220)	(17,220)
	42,514	56,920
ii) Associates		
- Realised profits/(losses)	3,186	3,090
- Unrealised profits/(losses)	-	-
	3,186	3,090
	45,700	60,010
iii) Group consolidated adjustments	70,134	48,065
Total retained earnings of the Group	115,834	108,075

26. Dividend

At the forthcoming Annual General Meeting, a first and final tax-exempt dividend of 0.45 sen per ordinary share in respect of the financial year ended 31 March 2013 will be proposed for shareholders' approval.

27. Earnings Per Ordinary Share

	Individual		Cumulative	
	3 months ended		3 months ended	
	30th June	30th June	30th June	30th June
	2013	2012	2013	2012
(a) Basic earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	7,678	8,334	7,678	8,334
Weighted average number of ordinary shares ('000)	1,576,394	1,575,046	1,576,394	1,575,046
Basic earnings per ordinary share (Sen)	0.49	0.53	0.49	0.53
(b) Diluted earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	7,678	8,334	7,678	8,334
Adjustment for after tax effects of Warrants A (RM'000)	-	-	-	-
Adjustment for after tax effects of Warrants B (RM'000)	-	-	-	-
Adjusted net profit for the period (RM'000)	7,678	8,334	7,678	8,334
Weighted average number of ordinary shares ('000)	1,576,394	1,575,046	1,576,394	1,575,046
Adjustment for assumed exercise of Warrants A ('000)	9,541	32,907	9,541	32,907
Adjustment for assumed exercise of Warrants B ('000)	44,690	149,878	44,690	149,878
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	1,630,625	1,757,831	1,630,625	1,757,831
Diluted earnings per ordinary share (Sen)	0.47	0.47	0.47	0.47

28. Profit before taxation

	Individual 3 months ended 30th June 2013 RM'000	Cumulative 3 months ended 30th June 2013 RM'000
Profit before taxation is arrived at after charging/(crediting):		
- Amortisation of concession assets and depreciation of property, plant and equipment	7,236	7,236
- Net foreign exchange (gain)/loss	129	129
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