IRIS CORPORATION BERHAD

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

Interim Financial Report for the Second quarter ended 30th September 2012

Contents: - Page

Condensed Consolidated Statement of Comprehensive Income

For the Second quarter ended 30th September 2012

	Individual 3 months ended		Cumulative 6 months ended	
	30th September 2012 RM'000	30th September 2011 RM'000	30th September 2012 RM'000	30th September 2011 RM'000
Revenue	124,543	103,373	227,010	198,678
Cost of sales	(88,165)	(72,102)	(162,904)	(136,594)
Depreciation and amortisation	(2,716)	(1,879)	(5,709)	(3,522)
Gross profit	33,662	29,392	58,397	58,562
Other income	953	3,446	3,005	3,738
Administrative and operating expenses	(18,799)	(12,676)	(31,309)	(25,687)
Depreciation and amortisation	(1,226)	(1,268)	(2,432)	(2,418)
Finance costs	(3,062)	(2,610)	(5,559)	(5,386)
Share of loss of associates	(125)	(135)	(261)	(517)
Profit before taxation	11,403	16,149	21,841	28,292
Tax expense	(4,915)	(3,336)	(8,068)	(9,630)
Profit for the period	6,488	12,813	13,773	18,662
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	6,488	12,813	13,773	18,662
Profit attributable to:				
Owners of the Company	6,184	13,132	14,519	18,981
Non-controlling interests	304	(319)	(746)	(319)
Profit for the period	6,488	12,813	13,773	18,662

Condensed Consolidated Statement of Comprehensive Income

For the Second quarter ended 30th September 2012
(continued)

	Individual 3 months ended		Cumulative 6 months ended	
	30th September 2012 RM'000	30th September 2011 RM'000	30th September 2012 RM'000	30th September 2011 RM'000
Total comprehensive income attributable to:				
Owners of the Company	6,184	13,132	14,519	18,981
Non-controlling interests	304	(319)	(746)	(319)
Total comprehensive income for the period	6,488	12,813	13,773	18,662
Earnings per share attributable to owners of the Company:				
Basic (Sen)	0.39	0.90	0.92	1.31
Diluted (Sen)	0.35	0.88	0.83	1.28

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial period from 1st January 2011 to 31st March 2012 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Financial Position

As at 30th September 2012

	30th September 2012 RM'000	31st March 2012 RM'000
ASSETS		
NON-CURRENT ASSETS		
Concession assets	10,516	10,229
Property, plant and equipment	277,435	117,146
Development Costs	-	336
Intellectual properties	8,318	9,008
Goodwill on consolidation	135,403	135,403
Investment in associates	8,241	40,802
Available-for-sale financial assets	406	406
	440,319	313,330
CURRENT ASSETS		
Inventories	70,084	57,411
Trade receivables	210,192	210,542
Amount owing by contract customers	91,793	30,850
Other receivables, deposits & prepayments	80,620	66,652
Amount owing by associates	53	17,016
Amount owing by related parties	215	176
Tax refundable	3,588	1,764
Deposits with licensed banks	28,661	27,063
Cash and cash equivalents	61,471	61,761
	546,677	473,235
TOTAL ASSETS	986,996	786,565
EQUITY AND LIABILITIES		
EQUITY		
Share capital	236,266	236,257
Share premium	35,211	35,211
Warrants reserve	10,611	10,616
Foreign exchange translation reserve	-	-
Revaluation reserve	27,069	27,233
Retained earnings	108,049	93,361
Total equity attributable to owners of the Company	417,206	402,678
Non-controlling interests	42,050	(1,000)
TOTAL EQUITY	459,256	401,678

Condensed Consolidated Statement of Financial Position

As at 30th September 2012
(continued)

	30th September 2012 RM'000	31st March 2012 RM'000
NON-CURRENT LIABILITIES		
Other payables	97	-
Hire purchase & lease payables	3,797	3,395
Term loan	110,378	72,978
Deferred tax liabilities	12,580	12,580
	126,852	88,953
CURRENT LIABILITIES		
Trade payables	72,444	33,465
Other payables and accruals	202,255	182,308
Amount owing to an associate	454	36
Amount owing to related parties	5	5
Hire purchase & lease payables	1,272	1,252
Short-term borrowings	110,790	72,753
Provision for taxation	13,668	6,115
	400,888	295,934
TOTAL LIABILITIES	527,740	384,887
TOTAL EQUITY AND LIABILITIES	986,996	786,565
Net assets per ordinary share attributable to owners of the Company (sen)	26.49	25.50

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial period from 1st January 2011 to 31st March 2012 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity
For the Second quarter ended 30th September 2012

			← Non-Distributable			→	Distributable			
	Ordinary Share Capital RM'000	**ICPS* 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**	**Non-controlling Interests RM'000**	**Total Equity RM'000**
At 1st April 2011 (as previously reported)	212,621	3,795	35,052	10,616	(518)	27,561	63,833	352,960	-	352,960
Effect of adopting MFRS	-	-	-	-	518	-	(518)	-	-	-
At 1st April 2011 (as adjusted)	212,621	3,795	35,052	10,616	-	27,561	63,315	352,960	-	352,960
Issue of share capital	19,841		159	-	-	-	-	20,000	-	20,000
Acquisition/Issue of share in subsidiaries	-	-	-	-	-	-	-	-	50	50
Conversion of ICPS into ordinary shares	3,795	(3,795)	-	-	-	-	-	-	-	-
Realisation on usage of property	-	-	-	-	-	(165)	165	-	-	-
Dividend paid	-	-	-	-	-	-	(7,087)	(7,087)	-	(7,087)
Total comprehensive income for the financial period	-	-	-	-	-	-	18,981	18,981	(319)	18,662
At 30th September 2011	236,257	-	35,211	10,616	-	27,396	75,374	384,854	(269)	384,585

Condensed Consolidated Statement of Changes in Equity
For the Second quarter ended 30th September 2012
(continued)

		← Non-Distributable →				Distributable			
	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	Non-controlling Interests RM'000	Total Equity RM'000
At 1st April 2012 (as previously reported)	236,257	35,211	10,616	(930)	27,233	94,291	402,678	(1,000)	401,678
Effect of adopting MFRS	-	-	-	930	-	(930)	-	-	-
At 1st April 2012 (as adjusted)	236,257	35,211	10,616	-	27,233	93,361	402,678	(1,000)	401,678
Warrant exercised	9	-	(5)	-	-	5	9	-	9
Acquisition/Issue of share in subsidiaries	-	-	-	-	-	-	-	43,796	43,796
Realisation on usage of property	-	-	-	-	(164)	164	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	14,519	14,519	(746)	13,773
At 30th September 2012	236,266	35,211	10,611	-	27,069	108,049	417,206	42,050	459,256

* *ICPS define as Non-Cumulative Irredeemable Convertible Preference Share*

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial period from 1st January 2011 to 31st March 2012 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow Statement

For the Second quarter ended 30th September 2012

	Cumulative 30th September 2012 RM'000	Cumulative 30th September 2011 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	21,841	28,292
Adjustments for:		
Non-Cash Items	12,797	6,968
Interest income	(173)	(377)
Finance costs	5,559	5,386
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	40,024	40,269
Changes in working capital		
Net changes in current assets	(31,174)	(14,286)
Net changes in current liabilities	7,469	106,300
NET CASH GENERATED FROM OPERATIONS	16,319	132,283
Dividend received	-	75
Interest received	173	377
Interest paid	(5,559)	(5,386)
Tax paid	(2,339)	(12,515)
NET CASH FROM OPERATING ACTIVITIES	8,594	114,834
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of investment in associates	(500)	(1,000)
Acquisition of subsidiaries, net of cash acquired	4,174	50
Net cash flows from additional investment in a subsidiary	4,825	-
Proceeds from disposal of plant and equipment	-	1
Purchase of plant and equipment	(42,602)	(5,701)
Purchase of concession assets	(339)	(751)
NET CASH USED IN INVESTING ACTIVITIES	(34,442)	(7,401)

Condensed Consolidated Cash Flow Statement

For the Second quarter ended 30th September 2012
(continued)

	Cumulative 30th September 2012 RM'000	Cumulative 30th September 2011 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	-	(7,087)
Proceeds from issuance of ordinary shares	9	20,000
Net (repayment of)/proceeds from hire purchase and lease payables	(1,941)	1,033
Net repayment of short term borrowings	(18,374)	(1,593)
Proceeds from drawdown of trade and term loans	105,754	14,064
Repayment of term loans	(58,292)	(26,157)
NET CASH FROM FINANCING ACTIVITIES	27,156	260
Net changes in cash and cash equivalents	1,308	107,693
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of the year	88,824	6,206
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	90,132	113,899

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

Deposits with licensed banks, cash and bank balances	90,132	113,899
Bank overdraft	-	-
	90,132	113,899

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Group for the year ended 31st March 2012 and the accompanying explanatory notes attached to the interim financial report.

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30th September 2012 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"). For the periods up to and including the financial period ended 31st March 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effective from 1st April 2012. This condensed consolidated interim financial report is the Group's first MFRS compliant condensed report. The transition from FRS framework to MFRS framework under the MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards does not have any significant financial impact on to the financial statements of the Group, expect as disclosed in Note 1(a) below.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial period from 1st January 2011 to 31st March 2012. The explanatory notes attached to the interim financial statements 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 financial period ended 31st March 2012.

(a) As the requirements of FRSs are equivalent to the MFRSs, the significant accounting policies adopted by the Group for this interim financial report are consistent with those adopted in the Group's audited financial statements for the financial period from 1st January 2011 to 31st March 2012 except as discussed below:

Foreign currency translation reserves

Prior to 1st April 2012, the Group recognised translation differences on foreign operations as a separate component of equity. Upon the changes in Framework effective 1st April 2012, the Group used the transitional provision of first-time adoption whereby the cumulative foreign currency translation differences on all foreign operations are deemed to be zero at the date of transition as of 1st January 2011 to MFRS. Accordingly, at the date of transition to MFRS the cumulative foreign currency translation differences were adjusted to retained earnings and the impact of adopting this accounting policy is disclosed as below:

1. Basis of preparation (Cont'd)

The reconciliation of equity for comparative periods and of equity at the date of transition reported under FRS for those periods and at the date of transition under MFRS are shown as below:

	As previously report "FRS" RM'000	Adjustment RM'000	As restated "MFRS" RM'000
Statements of Financial Position / Statement of Changes in Equity			
<u>As at 1st January 2011</u>			
Foreign currency translation reserve	(518)	518	-
Retained earnings	63,833	(518)	63,315
<u>As at 1st April 2012</u>			
Foreign currency translation reserve	(930)	930	-
Retained earnings	94,291	(930)	93,361

(b) The Group has not applied in advance the accounting standards (and its consequential amendments) and interpretations that have been issued by the MASB but are not yet effective for the current financial year. The initial application of the above mentioned standards (and its consequential amendments) and interpretations are not expected to have material financial impacts on the financial statements of the Group upon their first adoption.

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 September 2012 was as follows:-

	Digital Identity & Business Solutions RM'000	**Others RM'000**	**Inter-segment Elimination RM'000**	**Group RM'000**
Revenue	199,677	27,333	-	227,010
Segment results	58,654	(257)	-	58,397
Unallocated corporate expenses				(33,741)
Other income				3,005
Operating profit				27,661
Finance costs				(5,559)
				22,102
Share of loss of associates				(261)
Profit before taxation				21,841
Income tax expense				(8,068)
Profit after taxation				13,773

5. Capital Commitments

Authorised and contracted for:-	As at 30th September 2012 **RM'000**
Purchase of property, plant and equipment	NIL

6. Debt and equity securities

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

7. Changes in the composition of the Group

(a) Acquisition of the additional issued and paid-up share capital of PJT Technology Co. Ltd ("PJT")

The Company had on 13th July 2012 completed the subscription for additional 540,000 out of the 800,000 new ordinary shares of THB100 each in the capital of PJT for a total cash consideration of THB54,000,000.00 (equivalent to RM5,400,000).

PJT was previously an associate company of the Company, of which the Company holds 49% of its equity shares. Following the above additional acquisition, the Company has now owned 51% of equity interests of PJT and PJT become the subsidiary of the Company.

(b) Incorporation of a new wholly-owned subsidiary company known as Digital Identity Solutions Limited, a company incorporated in Dhaka, Bangladesh

The Company had on 27th August 2012 incorporated a wholly-owned subsidiary company known as Digital Identity Solutions Limited ("DISL") in Dhaka, Bangladesh, with an authorized share capital of 100,000 ordinary shares of Bangladeshi Taka ("TK") 100 each (equivalent to RM380,000) and initial paid-up share capital of 10,000 ordinary shares of TK100 each (equivalent to RM38,000).

(c) Acquisition of the issued and paid-up share capital of IRIS Ecopower (S) Pte. Ltd.

The Company had on 6th September 2012 acquired 100 ordinary shares of Singapore Dollars ("SGD") 1.00 each, which represents 100% of the equity interest of IRIS ECOPOWER(S) PTE. LTD. ("IESL") for a total cash consideration of SGD100.00. IESL hereby become a new wholly-owned subsidiary of the Company.

(d) Acquisition of the issued and paid-up share capital of Neuralogy Sdn Bhd

The Company had on 9th September 2012 acquired 200,000 ordinary shares of RM1.00 each in Neuralogy Sdn Bhd, representing 20% of its issued and paid-up share capital for a total cash consideration of RM500,000.

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 Second 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

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 3 months ended		**Cumulative 6 months ended**	
	30th September 2012 RM'000	**30th September 2011 RM'000**	**30th September 2012 RM'000**	**30th September 2011 RM'000**
Income tax				
- Current financial year	(4,915)	(3,336)	(8,068)	(9,630)
- Over/(Under) provision in prior years	-	-	-	-
	(4,915)	(3,336)	(8,068)	(9,630)
Deferred tax				
- Current financial year	-	-	-	-
Total tax expense	(4,915)	(3,336)	(8,068)	(9,630)

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 transactions with related parties of the Group for the cumulative 6 months period ended 30th September 2012 were as follows:

(a) Associate	RM'000
PJT Technology Co. Ltd ("PJT") *	
- Sales	3,002

* PJT was previously an associate company of the Company, of which the Company holds 49% of its equity shares. Following the additional acquisition on 13th July 2012, the Company has now owned 51% of equity interests of PJT and PJT become the subsidiary of the Company.

15. Comparative figures

Certain comparative figures as shown in the condensed consolidated statement of comprehensive income have been reclassified in order to conform with the current financial period's presentation.

Additional information required by the AMLR

16.1 Review of Performance

For the current financial quarter ended 30th September 2012, the Group recorded revenue of RM124.5 million from RM103.3 million, which is 20.5% higher as compared to the previous comparable quarter ended 30th September 2011.

Whilst the current financial quarter recorded higher revenue, profit before taxation decreased to RM11.4 million, which is 29.2% lower as compared to profit before taxation of RM16.1 million recorded in the previous comparable quarter ended 30th September 2011. The decrease was mainly attributable to higher unrealized gain on foreign currency in previous comparable quarter and higher administrative and operating expenses in current reporting quarter resulted from loss on remeasurement in business combination arising from the subscription of additional shares in PJT Technology Co. Ltd.

The main contributions to the Group's performance for the current financial quarter came from its existing projects, namely Malaysian e-Passport Inlays and Nigeria e-Passport inlays and the implementation of Malaysian e-Passport ICAO compliance project.

16.2 Comparison with Preceding Quarter

For the current financial quarter ended 30th September 2012, the Group recorded revenue of RM124.5 million and profit before taxation of RM11.4 million from RM102.5 million and RM10.4 million in the preceding financial quarter ended 30th June 2012, which is 21.5% and 9.6% higher respectively.

The increase in revenue and profit before taxation was mainly attributable to the implementation of Malaysian e-Passport ICAO compliance project and higher delivery of Nigeria e-Passport inlays.

17. Prospects

For the financial year 2013, the Group's revenue is expected to be derived mainly from the trusted identification's projects, namely Malaysia e-passport inlays, the implementation of Malaysian e-Passport ICAO compliance project, Nigeria e-Passport inlays, Tanzania e-ID cards project, Turkey e-Passport inlays and Bangladesh MRP Passport project.

For Food and Agro Technology Division and Koto Industrialised Building Division, their results are expected to be satisfactory when more Rimbunan Kaseh Programme or similar projects take off in the 2nd half of financial year 2013. The Rimbunan Kaseh Programme is a modern rural project which consists of Koto houses and amenities, supported by modern and integrated farming activities.

In view of the on-going contracts and Rimbunan Kaseh Programme, the Group is optimistic that its performance will be satisfactory for the financial year ending 31st March 2013.

18. 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.

19. 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.

20. Quoted Securities

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

21. Available-for-sale financial assets

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

	At 30th September 2012 **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	(3,632)
	406

22. Status of Corporate Proposals and utilisation of proceeds

There were no corporate proposals announced but not completed as at 20th November 2012, being the latest practicable date which is not earlier than seven (7) days from the date of issue of this quarterly report.

23. 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	110,790	110,378	221,168

All of the above borrowings are denominated in Ringgit Malaysia other than term loan borrowings amounting to RM17.0 million and RM60.3 million that are denominated in USD dollar and Thai Bath respectively.

24. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 20th November 2012 being the latest practicable date which is not earlier than seven (7) days from date of issue of this quarterly report.

25. Material Litigation

Save for the material litigations as disclosed below, there are no other material litigations involving the Group as at 20th November 2012:

(a) On 29th November 2006, ICB had filed a lawsuit against Japan Air Lines ("JAL") in the U.S. District Court, Eastern District of New York for JAL's infringement of IRIS's US patent. This claim is based on the allegation that JAL's inspection of passports at United States airports infringes IRIS's patent over a method of manufacturing a secure electronic passport.

JAL has filed a motion to dismiss the claim. IRIS's solicitors, Messrs Moses & Singer LLP (the "**Solicitors**"), has opposed the motion to dismiss. The briefs on the motion had been filed in June 2007. The District Court had on 30th September 2009 granted JAL's motion to dismiss the claim and the decision stated that the patent protections conferred on IRIS conflicted with, and were superseded by JAL's federal legal obligation to inspect passenger passports. The Solicitors had, on behalf of IRIS, filed a notice to appeal to the United States Court of Appeals for the Federal Circuit in Washington and the matter is currently stayed pending the outcome of the JAL's bankruptcy proceedings in Japan.

The Solicitors of the Company stated that there are no US case precedents to indicate the likelihood of success on appeal. However, by analogy, the Solicitors pointed out that there are many regulations affecting airlines, such as JAL, as well as affecting other commercial operations, requiring these commercial entities to use intellectual property and other property that they do not own. These commercial entities do not get such property for free, and must buy them, even though regulations require that they use them. The Solicitors argued further that JAL should not be able to use IRIS' intellectual property for free, as part of their commercial operations.

The Solicitors further informed that in any event, it does not appear that this case will be heard within the next year or two, as the Federal Circuit in Washington proceedings are dependent upon the outcome of the Japanese bankruptcy proceedings. Until these proceedings are complete there is nothing for IRIS to do with respect to the JAL litigation.

Regarding the bankruptcy proceedings, pursuant to The Appellee's Status Report dated 27th January 2012, JAL stated that the stay issued by the US Bankruptcy Court still remains in effect. On 28th March 2011, Japan Airlines completed its corporate reorganization proceedings in Japan.

(b) IRIS Technologies (M) Sdn Bhd ("**ITSB**"), a wholly owned subsidiary of IRIS, and its joint venture Turkish partner Kunt Elektronik San.Ve Tic. A.S ("**KUNT**") ("**JV Company**") had on 17th September 2009 received a Letter of Termination dated 14th September 2009 ("**Letter of Termination**"), from Emniyet Genel Mudurlugu ("**EGM**"), known as General Directorate of Security in relation to the provision of Electronic Passport Issuing Systems in Turkey ("**The Agreement**").

Pursuant to the Letter of Termination, EGM requested for refund of New Turkish Lira ("**YTL**") 6.195 million (equivalent to approximately RM14.6 million at an exchange rate of YTL 1: RM2.36 as at 18th 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 18th 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 24th September 2009, an interlocutory injunction was obtained by the JV Company from the Court. Subsequently, on behalf of the JV Company, Messrs Sen & Arpaci had on 5th 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. This matter was first heard on 22nd December 2009.

On 23rd 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. The third hearing was held on 10th June 2010. The outcome of the hearing was that 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 5th October 2010, JV Company had submitted new evidences for the case. The Courts accepted JV Company's submission and ordered EGM to reply to the new evidences submitted by JV Company within 20 days from 5th October 2010. However, no decision was granted at this stage to the EGM for their claims of refund of YTL 5.25 million they 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 analyze the case and the submissions of both Parties on commercial and technical grounds since the case is highly technical in nature. The Courts then fixed 23rd December 2010 to hear the reports from the Court's appointed specialists or expert witnesses before giving out further directions.

On 20th 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 14th September 2010. On 30th November 2010, JV Company submitted evidences substantiating grounds for the rebuttal of this EGM's additional claims. On 8th February 2011's hearing, the Court granted 20 days for EGM to respond to the JV Company's earlier submitted rebuttal. On 12th April 2011 hearing, the Court appointed two experts who are experienced in law and finance matters to prepare a report on the case.

The Expert Report was submitted on 27th 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.

On 4th October 2012, the Court decided to merge both the cases as mentioned above so that it can be heard concurrently. Both cases were fixed to be heard concurrently on 5th March 2013.

Messrs Sen & Arpaci is 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.

26. Realised and Unrealised retained earnings

Breakdown of retained earnings of the Group is as follows:

	As at 30th September 2012 RM'000	**As at** 31st March 2012 RM'000
Total retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	82,570	47,359
- Unrealised profits/(losses)	(16,980)	(19,330)
	65,590	28,029
ii) Associates		
- Realised profits/(losses)	1,427	(3,487)
- Unrealised profits/(losses)	-	-
	1,427	(3,487)
	67,017	24,542
iii) Group consolidated adjustments	41,032	68,819
Total retained earnings of the Group	108,049	93,361

27. Dividend

A first and final tax-exempt dividend of 0.45 sen per ordinary share in respect of the financial period ended 31 March 2012 will be paid on 28th November 2012.

28. Earnings Per Share

	Individual 3 months ended 30th September 2012	Individual 3 months ended 30th September 2011	Cumulative 6 months ended 30th September 2012	Cumulative 6 months ended 30th September 2011
(a) Basic earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	6,184	13,132	14,519	18,981
Weighted average number of ordinary shares ('000)	1,575,050	1,452,805	1,575,050	1,452,805
Basic earnings per ordinary share (Sen)	**0.39**	**0.90**	**0.92**	**1.31**
(b) Diluted earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	6,184	13,132	14,519	18,981
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)	6,184	13,132	14,519	18,981
Weighted average number of ordinary shares ('000)	1,575,050	1,452,805	1,575,050	1,452,805
Adjustment for assumed exercise of Warrants A ('000)	32,885	5,484	32,885	5,484
Adjustment for assumed exercise of Warrants B ('000)	149,855	24,980	149,855	24,980
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	1,757,790	1,483,269	1,757,790	1,483,269
Diluted earnings per ordinary share (Sen)	**0.35**	**0.88**	**0.83**	**1.28**

29. Profit before taxation

	Individual 3 months ended 30th September 2012 RM'000	**Cumulative 6 months ended** 30th September 2012 RM'000
Profit before taxation is arrived at after charging/(crediting):		
- Depreciation of property, plant and equipment	3,700	7,115
- Net foreign exchange (gain)/loss	(1,885)	(2,360)