IRIS CORPORATION BERHAD

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

Interim Financial Report for the Fourth quarter ended 31st March 2014

Contents: -

Condensed Consolidated Statement of Comprehensive Income

For the Fourth quarter ended 31st March 2014

	Individual 3 months ended		Cumulative 12 months ended	
	31st March 2014 RM'000	31st March 2013 RM'000	31st March 2014 RM'000	31st March 2013 RM'000
Revenue	159,644	187,258	574,458	537,066
Cost of sales	(120,662)	(155,621)	(418,179)	(415,393)
Depreciation and amortization	(2,957)	(6,868)	(22,322)	(15,330)
Gross profit	36,025	24,769	133,957	106,343
Other income	8,893	2,213	10,858	3,727
Administrative and operating expenses	(28,812)	(12,681)	(79,410)	(55,724)
Depreciation and amortisation	(1,884)	(2,725)	(7,121)	(6,403)
Finance costs	(6,420)	(3,800)	(21,641)	(13,262)
Share of profit/(loss) of associates	73	382	29	(652)
Profit before taxation	7,875	8,158	36,672	34,029
Tax expense	(6,812)	(5,427)	(16,450)	(15,593)
Profit for the period	1,063	2,731	20,222	18,436
Other comprehensive income for the period				
Revaluation of property, net of tax	12,360	-	12,360	-
Foreign currency translation	2,032	(1,076)	2,000	(1,076)
Fair value for available-for-sales financial assets	27,876	-	30,721	-
	42,268	(1,076)	45,081	(1,076)
Total comprehensive income for the period	43,331	1,655	65,303	17,360
Profit attributable to:				
Owners of the Company	1,875	5,899	22,304	21,060
Non-controlling interests	(812)	(3,168)	(2,082)	(2,624)
Profit for the period	1,063	2,731	20,222	18,436

Condensed Consolidated Statement of Comprehensive Income

For the Fourth quarter ended 31st March 2014
(continued)

	Individual 3 months ended		Cumulative 12 months ended	
	31st March 2014 RM'000	31st March 2013 RM'000	31st March 2014 RM'000	31st March 2013 RM'000
Total comprehensive income attributable to:				
Owners of the Company	33,620	5,112	55,855	20,273
Non-controlling interests	9,711	(3,457)	9,448	(2,913)
Total comprehensive income for the period	43,331	1,655	65,303	17,360
Earnings per share attributable to owners of the Company:				
Basic (Sen)	0.11	0.37	1.29	1.34
Diluted (Sen)	0.10	0.37	1.17	1.31

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 Position

As at 31st March 2014

	31st March 2014 RM'000	31st March 2013 RM'000
ASSETS		
NON-CURRENT ASSETS		
Investment in associates	7,598	7,728
Property, plant and equipment	232,017	162,354
Concession assets	178,746	185,892
Intellectual properties	17,468	7,628
Available-for-sale financial assets	7,906	406
Research and development expenditure	3,942	-
Deferred tax asset	129	-
Goodwill on consolidation	134,968	141,511
	582,774	505,519
CURRENT ASSETS		
Inventories	95,381	94,616
Trade receivables	279,382	224,790
Property development expenditure	1,310	-
Amount owing by contract customers	82,275	87,576
Other receivables, deposits & prepayments	151,623	109,094
Amount owing by associates	8	2,089
Amount owing by related parties	70	215
Tax refundable	26	9,211
Asset classified as held for sales	66,373	-
Deposits with licensed banks	22,243	21,687
Cash and cash equivalents	82,160	37,163
	780,851	586,441
TOTAL ASSETS	1,363,625	1,091,960
EQUITY AND LIABILITIES		
EQUITY		
Share capital	306,025	236,459
Share premium	104,637	35,211
Warrants reserve	10,598	10,609
Fair value reserve	19,846	-
Foreign exchange translation reserve	146	(1,199)
Revaluation reserve	38,783	26,904
Retained earnings	121,985	108,075
Total equity attributable to owners of the Company	602,020	416,059
Non-controlling interests	70,422	41,141
TOTAL EQUITY	672,442	457,200

Condensed Consolidated Statement of Financial Position

As at 31st March 2014
(continued)

	31st March 2014 RM'000	31st March 2013 RM'000
NON-CURRENT LIABILITIES		
Other payables	29	168
Hire purchase payables	8,555	4,309
Lease payables	-	242
Term loan	67,487	98,498
Deferred tax liabilities	16,791	13,534
	92,862	116,751
CURRENT LIABILITIES		
Trade payables	32,948	42,163
Other payables and accruals	248,368	293,574
Amount owing to associates	423	418
Amount owing to related parties	-	5
Hire purchase payables	3,929	2,096
Lease payables	242	240
Short-term borrowings	303,284	167,837
Provision for taxation	9,127	11,676
	598,321	518,009
TOTAL LIABILITIES	691,183	634,760
TOTAL EQUITY AND LIABILITIES	1,363,625	1,091,960
Net assets per ordinary share attributable to owners of the Company (sen)	29.51	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 Fourth quarter ended 31st March 2014

	← 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	236,257	35,211	10,616	(412)	27,233	93,773	402,678	(1,000)	401,678
Warrant exercised	202	-	(7)	-	-	7	202	-	202
Acquisition/Issue of share in subsidiaries	-	-	-	-	-	-	-	45,054	45,054
Realisation on usage of property	-	-	-	-	(329)	329	-	-	-
Dividend paid	-	-	-	-	-	(7,094)	(7,094)	-	(7,094)
Profits after taxation for the financial period	-	-	-	-	-	21,060	21,060	(2,624)	18,436
Other comprehensive income for the financial period									
- Foreign currency translation	-	-	-	(787)	-	-	(787)	(289)	(1,076)
Total comprehensive income for the financial period	-	-	-	(787)	-	21,060	20,273	(2,913)	17,360
At 31st March 2013	236,459	35,211	10,609	(1,199)	26,904	108,075	416,059	41,141	457,200

Condensed Consolidated Statement of Changes in Equity

For the Fourth quarter ended 31st March 2014
(continued)

	Non-Distributable						Distributable			
	Ordinary Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Fair Value 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 2013	236,459	35,211	10,609	(1,199)	-	26,904	108,075	416,059	41,141	457,200
Issuance of new shares	69,517	69,407	-	-	-	-	-	138,924	-	138,924
Warrant exercise	49	19	(11)	-	-	-	(8)	49	-	49
Acquisition/additional acquisition in a subsidiary	-	-	-	-	-	-	-	-	19,573	19,573
Shares subscribed by non-controlling interest	-	-	-	-	-	-	-	-	260	260
Realisation on usage of property	-	-	-	-	-	(481)	481	-	-	-
Dividend paid	-	-	-	-	-	-	(8,867)	(8,867)	-	(8,867)
Profits after taxation for the financial year	-	-	-	-	-	-	22,304	22,304	(2,082)	20,222
Other comprehensive income for the financial period, net of tax										
- Revaluation of property	-	-	-	-	-	12,360	-	12,360	-	12,360
- Foreign currency translation	-	-	-	1,345	-	-	-	1,345	655	2,000
- Fair value for available-for-sales financial assets	-	-	-	-	19,846	-	-	19,846	10,875	30,721
Total comprehensive income for the financial period	-	-	-	1,345	19,846	12,360	22,304	55,855	9,448	65,303
At 31st March 2014	306,025	104,637	10,598	146	19,846	38,783	121,985	602,020	70,422	672,442

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 Statement

For the Fourth quarter ended 31st March 2014

	Cumulative 31st March 2014 RM'000	Cumulative 31st March 2013 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	36,672	34,029
Adjustments for:		
Non-Cash Items	42,170	29,257
Interest income	(824)	(2,162)
Finance costs	21,641	13,262
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	99,659	74,386
Changes in working capital		
Net changes in current assets	(65,741)	(100,886)
Net changes in current liabilities	(72,281)	71,560
NET CASH GENERATED (FOR)/FROM OPERATIONS	(38,363)	45,060
Dividend received	171	-
Interest received	824	2,162
Interest paid	(21,641)	(13,262)
Tax paid	(13,941)	(16,529)
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(72,950)	17,431
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of an intangible asset	(12,240)	-
Acquisition of subsidiaries, net of cash acquired	(31,074)	8,847
Acquisition of available for sale investment	(7,500)	-
Net cash flows from additional investment in subsidiaries	(6,964)	11,578
Net paid on acquisition of investment in an associate	(12)	(500)
Proceeds from disposal of plant and equipment	417	256
Proceeds from shares subscribed by non-controlling interests	260	-
Purchase of development expenditure	(3,942)	-
Purchase of concession assets	(2,623)	(88,657)
Purchase of plant and equipment	(32,878)	(31,222)
NET CASH FOR INVESTING ACTIVITIES	(96,556)	(99,698)

Condensed Consolidated Cash Flow Statement

For the Fourth quarter ended 31st March 2014
(continued)

	Cumulative 31st March 2014 RM'000	Cumulative 31st March 2013 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(8,867)	(7,094)
Net proceeds from issuance of ordinary shares	138,973	202
Net repayment of hire purchase and lease payables	(155)	(3,319)
Net proceeds from short term borrowings	42,658	11,846
Proceeds from drawdown of trade and term loans	335,078	204,300
Repayment of trade and term loans	(317,116)	(153,642)
Placement of pledged deposit	(12,027)	(2,041)
NET CASH FROM FINANCING ACTIVITIES	178,544	50,252
Net changes in cash and cash equivalents	9,038	(32,015)
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of the year	50,398	82,413
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	59,436	50,398

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

Deposits with licensed banks	22,243	21,604
Cash and bank balances	82,160	37,246
Less: Deposits pledged with licensed banks	(21,174)	(8,452)
Less: Bank overdrafts	(23,793)	-
	59,436	50,398

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.

1. Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31st March 2014 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 Fourth quarter.

4. Segment information

The Group's operating segments information for the interim financial report to 31st March 2014 was as follows:-

	Trusted Identification & Payment and Transportation RM'000	Sustainable development, Agro and Food & Industrial Building Systems RM'000	Environment & Renewable Energy RM'000	Paper and plastic products, colour separation & printing RM'000	Group RM'000
Revenue	435,212	84,187	37,614	17,445	574,458
Segment results	106,174	(34,977)	53	(1,844)	69,406
Unallocated corporate expenses					(21,980)
Other income					10,858
Operating profit					58,284
Finance costs					(21,641)
					36,643
Share of profit of associates					29
Profit before taxation					36,672
Income tax expense					(16,450)
Profit after taxation					20,222

5. Capital Commitments

	As at 31st March 2014 RM'000
Authorised and contracted for:-	
Purchase of property, plant and equipment	29,497
Authorised but not contracted for:-	
Purchase of property, plant and equipment	1,719

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities for this quarter except for a private placement as disclosed in Note 21(b).

7. Changes in the composition of the Group

There were no changes in the composition of the Group for this quarter except for the acquisition as disclosed below:

The Company had on 11th February 2014 acquired 2 ordinary shares of RM1.00 each of Formula IRIS Racing Sdn Bhd (formerly known as Xtra Popular Sdn Bhd) ("FIR"), which represents 100% of the equity interest of FIR for a total cash consideration of RM2.00. FIR hereby become a wholly-owned subsidiary of the Company.

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 this 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 Fourth quarter.

11. Valuations of property, plant and equipment

There were no valuations made on property, plant and equipment for this quarter except for a property that was revalued using the open market value basis based on the valuation carried out by an independent firm of professional valuers. The effect of revaluation surplus arising from this valuation is disclosed in the statement of comprehensive income.

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 31st March 2014, 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 RM99,936,000.

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 3 months ended		Cumulative 12 months ended	
	31st March 2014 RM'000	31st March 2013 RM'000	31st March 2014 RM'000	31st March 2013 RM'000
Income tax				
- Current financial year	(11,291)	(4,473)	(19,060)	(13,652)
- Over/(Under) provision in prior years	577	-	(1,292)	(987)
	(10,714)	(4,473)	(20,352)	(14,639)
Deferred tax				
- Current financial year	3,902	(954)	3,902	(954)
Total tax expense	(6,812)	(5,427)	(16,450)	(15,593)

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 12 months period ended 31st March 2014 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	12,240
- Rental income	70

Major shareholder of the Company

The Federal Land Development Authority ("FELDA")	
- Sales of construction of sustainable development project	26,979

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Additional information required by the AMLR

15.1 Review of Performance

For the twelve (12) months financial period ended 31st March 2014, the Group recorded a revenue and profit before taxation of RM574.5 million and RM36.7 million, representing an increase of 7.0% and 7.9% from RM537.1 million and RM34.0 million respectively recorded in the previous comparable financial year.

The increase in revenue and profit before taxation was mainly due to higher revenue generated from the Trusted Identification Division and Waste-to-Energy Incinerator Plant in Phuket. The increase in the contribution however was off-set partially by higher cost incurred by the Food and Agro Division and the higher corporate exercises expenses by the Group in the current financial year.

The traditional core business - Trusted Identification Division and Payment & Transportation Division recorded higher revenue of RM435.2 million in the current financial year ending 31st March 2014 from RM425.7 million in the previous comparable year, representing an increase of 2.2%. The increase was mainly attributed to the higher delivery of the Nigeria e-Passport Project, Senegal e-Passport Project and Afghanistan e-ID project in the current financial year.

The Sustainable Development, Agro and Food Technology and Industrial Building Systems Division recorded revenue of RM84.2 million in the current financial year ended 31st March 2014 from RM83.7 million, representing a slight increase of 0.6%. Positive contribution has yet to be achieved due to delay in orders from the Rimbunan Kaseh and Sentuhan Kasih Programme from the respective State Governments and FELDA.

The Environment & Renewable Division recorded revenue of RM37.6 million from RM27.7 million compared to the same period in the financial year ended 31st March 2013. The revenue was not comparable as the main project of the division, the Waste-to-Energy Incinerator Plant in Phuket started its operation in the second half of financial year 2013, compared to a full year contribution in the financial year 2014.

Versatile Creative Berhad (“VCB”) became the subsidiary of ICB in the 3rd quarter ended 31st December 2013. The revenue contribution from VCB in this financial year was RM17.4 million and no comparison is available as the acquisition took place during this reporting quarter.

For the current financial quarter ended 31st March 2014, the Group recorded a revenue and profit before taxation of RM159.6 million and RM7.9 million, representing a decrease of 14.8% and 3.7% from RM187.3 million and RM8.2 million respectively recorded in the previous comparable quarter ended 31st March 2013. The decrease was mainly attributed to higher cost incurred by the Food & Agro Division.

15.2 Comparison with Preceding Quarter

For the current financial quarter ended 31st March 2014, the Group recorded revenue of RM159.6 million from RM149.5 million, which is 6.8% higher as compared to the preceding financial quarter ended 31st December 2013.

Whilst the current financial quarter recorded higher revenue, profit before taxation decreased to RM7.9 million, which is 22.5% lower as compared to profit before taxation of RM10.2 million recorded in the preceding financial quarter ended 31st December 2013. The decrease was mainly attributed to higher cost incurred by the Food & Agro Division.

16. Prospects

For the coming financial year 2015, the prospects for the core business remains 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, Guinea e-Passport Project and Bangladesh MRP Passport project. The Automatic Fare Collection Project and banking cards will contribute positively to the Payment and Transportation's performance.

Sustainable Development Division, Food & Agro Technology Division and Koto Industrialised Building Division remain challenging in the coming FYE 31 March 2015, these divisions are expected to achieve satisfactory performance if the division receive its targeted number of letter of award for Rimbunan Kaseh and Sentuhan Kasih project from State Governments and FELDA respectively. The property development projects to be launched in Papua New Guinea and Solomon Islands are expected to contribute positively to the results of the Division.

For the Environment & Renewable Energy Division, the 700-tonnes Waste-to-Energy Incinerator Plant in Phuket, Thailand and the 300-tonnes Food Waste-to-Fertilizer Plant in Weinan, China are expected to produce positive results in the coming financial year 2015.

Considering the current level of operations of VCB and continued growth in the Malaysia economy in coming year, the packaging and printing business of VCB is expected to achieve satisfactory performance for the financial year 2015.

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 2015.

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 except for an acquisition of an investment in an unquoted shares amounting to RM7.5million.

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 31st March 2014 RM'000
Investment in an unquoted shares in Malaysia	7,773
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)
	7,906

21. Status of Corporate Proposals and utilisation of proceeds

There were no corporate proposals announced but not completed as at 20th May 2014, 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:

a) ***Private Placement (2013)***

On 13th September 2013, the Company served a Circular to shareholders in relation to a proposed private placement of up to 394,098,381 new ordinary shares of ICB to be issued to Federal Land Development Authority ("FELDA") or its wholly-owned subsidiary at an issue price of RM0.28 ("Private Placement") and subsequent on 30th September 2013, the proposed Private Placement was approved by the shareholders of the Company.

On 6th November 2013, the Private Placement funds amounting to RM110,347,547 has been raised by issuing of 394,098,381 new ordinary shares of ICB at an issue price of RM0.28 each to Capital Protocol Sdn Bhd, a wholly-owned subsidiary of Federal Land Development Authority ("FELDA").

The details of the utilisation of the proceeds from the Private Placement up to 20th May 2014 are as follows:

Description	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Balance to be utilised (RM'000)	Intended Timeframe for Utilisation
Partial repayment of short term borrowings	30,000	(30,000)	-	Within 12 months
Capital expenditure of ICB Group	25,000	(10,091)	14,909	Within 12 months
Working capital of ICB Group	47,000	(47,000)	-	Within 12 months
Estimated expenses in relation to the Proposed Private Placement	8,348	(8,348)	-	Within 6 months
Total	110,348	(95,439)	14,909	

21. Status of Corporate Proposals and utilisation of proceeds

b) ***Private Placement (2014)***

On 6th March 2014, the Company served an announcement in relation to a proposed private placement up to 197,050,150 new ordinary shares of ICB ("Private Placement (2014)").

On 31st March 2014, 1st tranche of the Private Placement (2014) funds amounting to RM35,368,500 has been raised by issuing of 69,350,000 new ordinary shares of ICB at an issue price of RM0.51 each and the funds is for the purpose of working capital or future investments. As of 20th May 2014, RM14.2million has been utilized for working capital use.

22. Group Borrowings and Debt Securities

The Group's borrowings (exclude hire purchase and finance lease) from financial institutions at the end of the current quarter were:

	Short Term RM'000	**Long Term RM'000**	**Total RM'000**
Secured	303,284	67,487	370,771

All of the above borrowings are denominated in Ringgit Malaysia other than trade and term loan borrowings amounting to RM58.1 million and RM40 million that are denominated in USD dollar and Thai Baht respectively.

23. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 20th May 2014 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 May 2014:

(a) ***ICB v. Japan Airlines International Co. Ltd (United States)***

IRIS Corporation Berhad ("IRIS") filed a lawsuit on 28th November 2006 against Japan Airlines International Co., Ltd ("JAL") in the U.S. District Court, Eastern District of New York alleging direct infringement of IRIS's US Patent No: 6,111,506 entitled *"Method of making an Improved Security Identification Document Including Contactless Communication Insert Unit" ("506 Patent").* The 506 Patent contains claims directed to a process for manufacturing a secure electronic passport consisting of computer chip embedded in a multi-layered document which contains biographical or biometric data about the passport holder.

IRIS alleged that passports containing these secured electronic computer chips were manufactured outside United States using IRIS' patented process. Use of these passports would therefore constitute direct clear violation of 35 U.S.C. 271(g) which states:-

"Whosoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, or use of the product occurs during the term of such process patent."

IRIS alleges that 506 Patent infringement by JAL stems from JAL's examination of passenger passports at its terminal in New York's John F Kennedy International Airport ("JFK") an other check-in locations within the USA and IRIS alleged that the passports of JAL passengers were made "Using" their 506 Patent process, that they constitute "Products" as defined by patent laws, and that JAL's inspection of the passports at their terminal constitutes an infringement.

At the time IRIS filed the litigation there was no basis for an action against the US Government, also the "User" of these electronic passports. The Federal Tort Claims Act -28 U.S.C. 1498 (a) states that whenever a person or company manufactures a product or uses a product for the US Government that entity may not be sued but instead a law suit may be brought against the US Government in a special court, ie. US Court of Federal Claims.

However the governing case law at that time of the commencement of the suit held that patent infringement suits against the US Government did not cover U.S.C. 271(g) type infringement. Hence IRIS could not sue the US Government and further it would be impractical to sue the individual passport holder, hence, IRIS targeted JAL.

24. Material Litigation (cont'd)

JAL on 1st June 2007 filed a motion to dismiss the action. The District Court agreeing with JAL that there is a conflict of law between the Enhanced Border Security Act 8U.S.C. 1221 which requires all airlines examine passports at check-in facilities in US and Patent laws (35 U.S.C. 271(g) granted the motion to dismiss IRIS' suit. The District Court however concluded that:

1. A passport is a "product" under patent laws of USA;
2. Reading a passport is a "use";
3. 28U.S.C 1948 cannot be used as a "shield" by JAL; and
4. Declined to opine on JAL's argument that the Doctrine of Foreign Sovereign Compulsion shields JAL from patent infringement relating to electronic passports.

The Solicitors filed a notice to appeal to the United States Court of Appeals for the Federal Circuit in Washington (2010-1051) but the matter was stayed by virtue of Chapter 15 of the US Bankruptcy Code and also due to the corporate reorganization and outcome of the bankruptcy proceedings in Japan.

The JAL bankruptcy proceedings have been terminated and an order was made by the US Bankruptcy Court for the Southern District of New York (SDNY) to close the Chapter 15 case.

On 30th December 2013 the Federal Circuit vacated the stay in response to JAL's discharge from the bankruptcy and issued a briefing schedule for the Courts argument. All briefs in this case will be filed on or before 25th April 2014 and arguments should be scheduled within several months thereafter. IRIS has to date received the Summary of Reply Argument from its Solicitors.

Once argued the court can issue its decision anytime, If IRIS wins the suit the litigation will return to the United States District Court in New York where IRIS can pursue damages being reasonable royalty an amount determined by expert evaluation and testimony. In the event IRIS is successful in its suit against JAL it can proceed to commence a suit against the US Government for reasonable royalty.

(b) ***(1) IRIS Technologies (M) Sdn Bhd (2) Kunt Electronic Sanayii ve Ticaret A.S v. Security General Directorate of Ministry of Interior or Emniyet Genel Mudurlugu (Turkey)***

A tender [Tender Registration No 2007/8270]("the "Tender") dated 26th March 2007 was administered by the General Directorate of Ministry of Interior ("Ministry of Interior"/EGM") for the procurement, installation and operation of 98 units of Passport Issuing Systems. ("the Project").

IRIS Technologies (M) Sdn Bhd, ("ITSB"), a wholly owned subsidiary of IRIS Corporation Berhad, and its Turkish partner Kunt Electronik san. Ve Tic. A.S ("Kunt") entered into a joint venture agreement to partake in the said Tender. (hereinafter referred to as "JVCO").

24. Material Litigation (cont'd)

The Tender was awarded to the JVCO headed by ITSB, and the "Contract For the Tender of Provision of 98 Units of Passport Issuing Systems" (hereinafter referred to as "the Contract") with Tender was signed with Journal Number 29691 at Ankara 56th Notary on 11th July 2007 between Security General and the JVCO.

According to Article 10 of the Contract, the JVCO agreed to undertake the Project for a lump sum payment of 10.500.000 TL (Article 10).

The Project required the JVCO undertake to prepare 1st, 2nd and 3rd phase of work (Article 11.4) and would make them ready for acceptance not later than [six (6) months-Phase 1], [twelve months (12)-Phase 2] and [sixteen months (16)- Phase 3] starting from the Work Commencement Date (Article 11.2) which is 11/07/2009 respectively and that each phase would be evaluated separately according to said specification (Technical Specifications) meaning each phase do not continue independently of each other but all phases simultaneously advance and integration of the Project and any potential penalty period that might be taken for any of the phases would not be added to the periods of other phases. The guarantee amount for the work is YTL630.000 pursuant to Clause 12.1 of the Contract.

The JVCO undertook to complete the Project and deliver to the Security General by including the penalty periods in 20 months period and completed the Phase 3 and made it ready for acceptance and delivered to the Security General not later than the 20 months period in compliance with the provisions of the Technical Specifications.

The EGM then requested from the JVCO to make some adjustments/revisions as the result of some material conditions that occurred and the JVCO tried to make the adjustments requested by the EGM.

ITSB of the JVCO developed a product for the Project in Turkey which has never been done in Turkey before and EGM set forth the provisions it believed was pertinent while the Technical Specifications was still being drafted. Due to the fact there was no existing "know-how" with regards to the Project, serious discrepancies arose between the Technical Specifications and the implementation of the Project.

When the subjective expectations of the EGM did not comply with the revisions made by the JVCO and in line with their request, EGM claimed that the terms of the Technical Specifications were not provided by the JVCO, whereas the fact was the revisions demanded by EGM were undertaken simultaneously by the JVCO with the Phase. The details of the alleged discrepancies and reasons are elucidated in the opinion of Messrs Sen & Arpaci.

24. Material Litigation (cont'd)

Discussions ensued and were recorded between the EGM and the JVCO in order to reach a minimum agreement however EGM already decided to take contract nullification procedures to terminate the Contract without informing or consulting the JVCO.

Due to the contentious technical issues that could not be resolved amicably between the parties and the JVCO being accused of failing to comply with Phase 2 of the Project (specifically to the non compliance with (negative) qualifications specified in the Technical Specification and Contract), EGM terminated the Contract via letter of termination dated 11th September 2009 in accordance with Article 42.1 of the Contract and Article 20 of the Public Procurements Contract Law No 4735.

The EGM via Letter of Termination dated 11/09/2009 requested for the refund of YTL6.195,000 (RM14.6million) equivalent to the payment for the Phase 1 received by the JVCO and all hardware and equipment shall be returned to the JVCO. It was also stipulated that the Performance Bond and additional bonds if any would be posted as income in accordance with Article 20 of the Public Procurements Contract Law and Article 42.1 of the Contract.

The JVCo decided to take an interlocutory injunction from Ankara 20th Civil Court of First Instance (2009/45 DI) on 18th September 2009 to take a Precautionary Decree in order to prevent cashing of the two (2) final Guarantee Letters (630,000TL) issued by (1) ITSB [Garanti Bankasi celiktepe Branch dated 03/12/2007 No: 1867565 for 475.500TL] and (2) Kunt [Finansbank/Europe Branch dated 05/07/2007 No: 881-GT-2673 for 157.500TL]. Judgement was obtained on 24th September 2009.

The JVCO thereafter instructed their counsel Mr Dincer Sen of M/s Sen & Arpaci to institute a law suit against the EGM for unlawful termination of the Contract and claimed a total sum of 5.5 Million TL and the return of the Performance Bond ("Primary Case"). This suit was first heard on 22nd December 2009.

On 23rd March 2010, the EGM presented a Counter-Claim ("Secondary Case") claiming an approximate of 5.25 Million and from the JVCO and proposed the return of all hardware and equipment in exchange for a refund of 5.25 Million TL. This suit was heard first on 22nd December 2009.

Both cases were heard respectively and expert reports were requested by the Court on technical issues regarding both the Primary Case and Secondary Case.

24. Material Litigation (cont'd)

The Technical Assessment Report for the Primary Case concluded that:

(1) The Security General was right in rejecting the processes relevant in Phase 2 and there was non compliance on the part of the JVCO; and

(2) Non-completion of the processes in Phase 2 constitutes an obstacle to proceeding to Phase 3 in other words Phase 3 cannot be initiated unless the process of Phase 2 is completed.

(3) It was concluded that Security General had lawfully terminated the Contract.

The Solicitors are of the view that the opinion of the Counsel is that the suits filed by EGM are vexatious and frivolous under the Turkey jurisdiction. They opine that the expert reports which findings are unfavourable to the JVCo is not a court order but mere recommendations. The JVCo has been advised that with the present new government the cases that were consolidated will be recalled and the Courts will rehear the issues to derive an equitable decision.

The JVCo is currently in discussion with its representative and the solicitors if the above cases need to be litigated further.

(c) ***Stamford College Berhad v. ICB (Kuala Lumpur High Court Case No. 22NCC-126-01/2013)***

On 4th October 2012, IRIS Corporation Berhad ("IRIS") entered into a Sale and Purchase Agreement ("SPA") with Stamford College Berhad ("SCB") to acquire 382,500 ordinary shares in Stamford College (Malacca) Sdn Bhd ("SCM") and 1,389,990 ordinary shares in Stamford College (PJ) Sdn Bhd for a total purchase consideration of RM2,500,000.00. IRIS paid a deposit of RM250,000 being 10% of the purchase consideration. The payment of the balance purchase price is subject to the fulfilment of all conditions precedents. IRIS alleges that since SCB has not complied with the conditions precedent which has resulted in a breach, the balance purchase price shall not become due and owing to SCB.

On 30th January 2013, SCB brought a suit against ICB for the sum of RM2,250,000 being the balance sum of the purchase price under the SPA together with interest and costs. ICB had on 8th February 2013 filed a defence and counterclaim for the sum of RM250,000, which was the deposit paid, and the sum of RM3,380,086.00, which was an advance paid by ICB at the request of SCB.

On 18th September 2013, the application for summary judgment filed by SCB on 8th March 2013 and the application to strike out SCB's claim filed by ICB on 9th April 2013 were dismissed with costs of RM3,000 to be borne by the parties filing the applications respectively.

24. Material Litigation (cont'd)

On 18th September 2013 as well, the court allowed ICB's application for security for costs filed by ICB on 9th April 2013 with costs of RM3,000 to be borne by SCB. The court directed that SCB deposit RM250,000 into court within 30 days ("Deposit"), that all proceedings are stayed pending the disposal of any appeals save for ICB's counterclaim, and that ICB is granted liberty to file another application to strike out SCB's claim in the event of SCB's non-compliance of the court orders. After the 30 day period, SCB failed to comply with the court's order regarding the Deposit. SCB however has filed a notice of appeal against the court's order and a notice of application for a stay of execution. Court has fixed a case management date on 10th February 2014 for SCB's application for a stay of proceeding and ICB's Counterclaim against SCB.

On 12th May 2014, ICB and SCB had agreed to enter into a Consent Judgment on the following terms:

i) ICB to pay SCB RM2,250,000 in full and final settlement;
ii) The sum of RM2,250,000 shall be paid on or before fourteen (14) days from the date of the judgment;
iii) ICB counterclaim is withdrawn;
iv) No order for cost.

(d) ***Stamford College Berhad v. ICB (Appeal Court Civil Appeal No. W-02(IM) (NCC)-2279-10/2013)***

Stamford College Berhad ("SCB") filed an appeal to the Court of Appeal against the Kuala Lumpur High Court Order dated 18th September 2013 granted to ICB's application for security for costs.

Pursuant to the Consent Judgement obtained on 12th May 2014, the matter is deemed concluded and the security for costs was returned to the Solicitors of SCB on 16th May 2014.

24. Material Litigation (cont'd)

(e) ***IRIS Eco Power Sdn Bhd v. Durairaj Raja (Kuala Lumpur High Court Case No. 24NCC 155-05/2013)***

Pursuant to a Sale and Purchase of Shares Agreement ("SPA") entered into by Mr Durairaj Raja (an Indian citizen residing in Dubai, UAE) and IRIS Eco Power Sdn Bhd ("IEPSB"), a wholly-owned subsidiary of the Company, Durairaj agreed to sell to IEPSB and IEPSB agreed to purchase 51% of the issued and paid up capital of Oil Field Services Limited ("Company") equivalent to 2,550.000 ordinary shares for AED1 each for a total purchase consideration of USD3,500,000. As required under the SPA, IEPSB paid the Earnest Money of USD500,000 subject to the terms and conditions of the SPA. Durairaj was not able to fulfil the Conditions Precedent imposed under the SPA and hence the SPA failed to reach Completion.

On 14th May 2013, Management of ICB decided to file an originating summons against Durairaj via its solicitors Messrs Chellam & Wong (C&W) claiming for (i) a declaration that the SPA dated 20th July 2012 ("Agreement") between the parties is terminated under Clause 9 of the said SPA, (ii) for an order that the sum of USD 500,000 be refunded to IEPSB by Durairaj, (iii) for an order that the 2,550,000 shares in Oil Field Services Ltd to be transferred back to Durairaj , (iv) and for damages and costs ("Originating Summons").

As Durairaj is not a Malaysian citizen and is now residing in United Arab Emirates, C&W filed an application to serve the Originating Summons out of jurisdiction which was granted by the court and are attempting the said service. A case management for this matter is fixed to update the courts on the service of the Originating Summons.

On 10th March 2014, Messrs Chellam & Wong has informed the Court that the Court in Dubai which undertook to serve the Originating Summons to Durairaj has failed to perfect the service. The Court has struck out the expired Originating Summons with leave to file afresh.

ICB's solicitors are waiting for ICB's further instruction to file a new Originating Summons against Durairaj Raja.

(f) ***IRIS Eco Power Sdn Bhd v. IPSA Group PLC (Kuala Lumpur High Court Case No. 24NCC-510-0582013)***

This suit is pursuant to the Equipment Sale Agreement ("ESA") dated 16th November 2012 ("Agreement") entered between IRIS Eco Power Sdn Bhd ("IEPSB") and IPSA GROUP PLC ("IPSA"), a company incorporated in the UK for the sale and purchase of 2 Gas Turbine Generating Sets with Ancillary Equipment for a total purchase price of USD31,000,000 exclusive of tax. The ESA required that a non-refundable sum of USD3,100,000 be paid as Deposit which IEPSB paid. The balance purchase price equivalent to USD27,900,000 was to be paid on the Completion date. Completion Date which definition under Clause 1.1 of the ESA has been amended and is the issue in dispute between the parties.

24. Material Litigation (cont'd)

Upon non-payment of the balance purchase price IEPSB initiated a suit against IPSA for the sum of USD3,100,000 being the deposit paid to IPSA, USD500,000 being the purchase price of the shares in Oil Field Services Ltd (a subsidiary of IEPSB) and the sum of RM20,000,000 for loss and damages, together with interest and costs ("Claim").

The court subsequently granted an order in terms for IEPSB to serve the Claim out of jurisdiction as IPSA is based on the United Kingdom. IEPSB has managed to serve the Claim to IPSA.

IPSA filed an application under Order 12 Rule 10 to set aside the Writ or Service of the Writ on the ground that the High Court of Malaya has no jurisdiction to determine the dispute in this civil suit. On 25th March 2014, a Decision by Y.A. Lau Bee Lan were as follows:

i) a Declaration that the High Court of Malaya has no jurisdiction to determine the dispute in this civil suit;
ii) an Order setting aside the Writ of Summons dated 1st August 2013;
iii) an Order setting aside the ex-parte Order of Court dated 27th September 2013 granting leave to IEPSB to serve the Notice of Writ out of jurisdiction to IPSA; and
iv) IEPSB to pay cost of RM30,000 to IPSA.

IEPSB has then filed an appeal to the Court of Appeal on 23rd April 2014 against the decision of the High Court.

ICB's solicitors ("Solicitors") is of the view that the High Court can be empowered with jurisdiction to hear the dispute between the parties. They also advised that an appeal be made against the decision to the Court of Appeal.

25. Realised and Unrealised retained earnings

Breakdown of retained earnings of the Group is as follows:

	As at 31st March 2014 RM'000	As at 31st March 2013 RM'000
Total retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	87,176	74,140
- Unrealised profits/(losses)	(16,345)	(17,220)
	70,831	56,920
ii) Associates		
- Realised profits/(losses)	1,948	3,090
- Unrealised profits/(losses)	-	-
	1,948	3,090
	72,779	60,010
iii) Group consolidated adjustments	49,206	48,065
Total retained earnings of the Group	121,985	108,075

26. Dividend

A first and final tax-exempt dividend of 0.45 sen per ordinary share amounting to approximately RM8.87million in respect of the financial year ended 31st March 2013 was paid on 29th November 2013.

27. Earnings Per Ordinary Share

	Individual 3 months ended		Cumulative 12 months ended	
	31st March 2014	**31st March 2013**	**31st March 2014**	**31st March 2013**
(a) Basic earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	1,875	5,899	22,304	21,060
Weighted average number of ordinary shares ('000)	1,733,396	1,575,669	1,733,396	1,575,669
Basic earnings per ordinary share (Sen)	**0.11**	**0.37**	**1.29**	**1.34**
(b) Diluted earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	1,875	5,899	22,304	21,060
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)	1,875	5,899	22,304	21,060
Weighted average number of ordinary shares ('000)	1,733,396	1,575,669	1,733,396	1,575,669
Adjustment for assumed exercise of Warrants A ('000)	31,156	5,332	31,156	5,332
Adjustment for assumed exercise of Warrants B ('000)	145,936	24,974	145,936	24,974
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	1,910,488	1,605,975	1,910,488	1,605,975
Diluted earnings per ordinary share (Sen)	**0.10**	**0.37**	**1.17**	**1.31**

28. Profit before taxation

	Individual 3 months ended 31st March 2014 RM'000	Cumulative 12 months ended 31st March 2014 RM'000
Profit before taxation is arrived at after charging/(crediting):		
- Allowance for impairment loss on receivables	513	513
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	4,841	29,443
- Net fair value (gain)/loss	(2,625)	(2,625)
- Inventories written down	2,555	2,555
- Net foreign exchange (gain)/loss	(2,284)	(558)
- Provision for doubtful debts on receivables	785	785
- Written off of plant and equipment	976	976