IRIS CORPORATION BERHAD

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

Interim Financial Report for the Fourth quarter ended 31st March 2015

Contents: -

Condensed Consolidated Statement of Comprehensive Income

For the Fourth quarter ended 31st March 2015

	Individual 3 months ended		Cumulative 12 months ended	
	31st March 2015 RM'000	31st March 2014 RM'000	31st March 2015 RM'000	31st March 2014 RM'000
Revenue	137,966	158,423	564,491	573,237
Cost of sales	(124,086)	(121,253)	(427,777)	(418,771)
Depreciation and amortization	(4,794)	(2,957)	(22,422)	(22,322)
Gross profit	9,086	34,213	114,292	132,144
Other income	8,561	5,480	19,539	7,444
Administrative and operating expenses	(27,322)	(25,174)	(112,203)	(75,771)
Depreciation and amortisation	(3,969)	(1,884)	(8,127)	(7,121)
Finance costs	(7,529)	(6,420)	(26,070)	(21,641)
Share of profit/(loss) of associates	(3,595)	73	(4,471)	29
(Loss)/Profit before taxation	(24,768)	6,288	(17,040)	35,085
Tax expense	(815)	(6,812)	(6,265)	(16,450)
(Loss)/Profit for the period	(25,583)	(524)	(23,305)	18,635
Other comprehensive income for the period				
Revaluation of property, net of tax	-	12,360	-	12,360
Foreign currency translation	33,890	2,032	33,890	2,000
Fair value for available-for-sales financial assets	-	(2,845)	-	-
Share of equity accounted reserve	(4,081)	-	(4,081)	-
	29,809	11,547	29,809	14,360
Total comprehensive income for the period	4,226	11,023	6,504	32,995
(Loss)/Profit attributable to:				
Owners of the Company	(26,045)	2,857	(20,594)	23,286
Non-controlling interests	462	(3,381)	(2,711)	(4,651)
(Loss)/Profit for the period	(25,583)	(524)	(23,305)	18,635

Condensed Consolidated Statement of Comprehensive Income

For the Fourth quarter ended 31st March 2015
(continued)

	Individual 3 months ended		Cumulative 12 months ended	
	31st March 2015 RM'000	31st March 2014 RM'000	31st March 2015 RM'000	31st March 2014 RM'000
Total comprehensive income attributable to:				
Owners of the Company	(2,496)	14,756	2,955	36,991
Non-controlling interests	6,722	(3,733)	3,549	(3,996)
Total comprehensive income for the period	4,226	11,023	6,504	32,995
(Loss)/Earnings per share attributable to owners of the Company:				
Basic (Sen)	(1.28)	0.17	(1.01)	1.38
Diluted (Sen)	N/A	0.15	N/A	1.25

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 2014 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Financial Position

As at 31st March 2015

	31st March 2015 RM'000	31st March 2014 RM'000
ASSETS		
NON-CURRENT ASSETS		
Investment in associates	21,387	7,598
Property, plant and equipment	179,040	229,902
Concession assets	199,418	178,746
Intellectual properties	30,911	17,468
Available-for-sale financial assets	14,825	7,906
Research and development expenditure	6,354	3,942
Deferred tax asset	210	129
Goodwill on consolidation	169,898	140,682
	622,043	586,373
CURRENT ASSETS		
Inventories	85,482	101,929
Trade receivables	280,441	280,236
Property development expenditure	7,744	1,310
Amount owing by contract customers	125,898	81,249
Other receivables, deposits & prepayments	102,216	149,922
Amount owing by associates	1,341	8
Amount owing by related parties	104	70
Tax refundable	10,706	26
Deposits with licensed banks	40,135	23,782
Cash and cash equivalents	63,393	81,670
	717,460	720,202
TOTAL ASSETS	1,339,503	1,306,575
EQUITY AND LIABILITIES		
EQUITY		
Share capital	306,042	306,025
Share premium	103,249	103,860
Treasury shares	-	(32,238)
Warrants reserve	10,592	10,598
Foreign exchange translation reserve	27,775	146
Fair value reserve	(4,081)	-
Revaluation reserve	38,719	38,783
Retained earnings	83,856	122,967
Total equity attributable to owners of the Company	566,152	550,141
Non-controlling interests	34,055	56,978
TOTAL EQUITY	600,207	607,119

Condensed Consolidated Statement of Financial Position

As at 31st March 2015
(continued)

	31st March 2015 RM'000	31st March 2014 RM'000
NON-CURRENT LIABILITIES		
Other payables	102	29
Hire purchase payables	3,595	8,555
Lease payables	610	-
Term loan	162,800	67,487
Deferred tax liabilities	13,807	16,791
	180,914	92,862
CURRENT LIABILITIES		
Trade payables	24,395	39,553
Other payables and accruals	206,964	250,212
Amount owing to associates	1,927	422
Hire purchase payables	1,902	3,930
Lease payables	448	242
Short-term borrowings	315,148	279,315
Provision for taxation	7,598	9,127
Bank overdrafts	-	23,793
	558,382	606,594
TOTAL LIABILITIES	739,296	699,456
TOTAL EQUITY AND LIABILITIES	1,339,503	1,306,960
Net assets per ordinary share attributable to owners of the Company (sen)	27.75	28.75

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 2014 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 2015

	← Non-Distributable					→	Distributable			
	Ordinary Share Capital RM'000	Share Premium RM'000	Treasury Shares 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 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	68,630	-	-	-	-	-	138,147	-	138,147
Warrant exercised	49	19	-	(11)	-	-	(8)	49	-	49
Acquisition/Issue of share in subsidiaries	-	-	-	-	-	-	-	-	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)
Effect of acquisition of a subsidary	-	-	(32,238)	-	-	-	-	(32,238)	-	(32,238)
Profits after taxation for the financial period	-	-	-	-	-	-	23,286	23,286	(4,651)	18,635
Other comprehensive income for the financial year, net of tax										
- Revaluation of property	-	-	-	-	-	12,360	-	12,360	-	12,360
- Foreign currency translation	-	-	-	-	1,345	-	-	1,345	655	2,000
Total comprehensive income for the financial period	-	-	-	-	1,345	12,360	23,286	36,991	(3,996)	32,995
At 31st March 2014	306,025	103,860	(32,238)	10,598	146	38,783	122,967	550,141	56,978	607,119

Condensed Consolidated Statement of Changes in Equity

For the Fourth quarter ended 31st March 2015

(continued)

		← Non-Distributable					→	Distributable			
	Ordinary Share Capital RM'000	**Share Premium RM'000**	**Treasury Shares RM'000**	**Warrants Reserve RM'000**	**Foreign Exchange Translation Reserve RM'000**	**Fair Value Reserve RM'000**	**Revalua-tion 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 2014	306,025	103,860	(32,238)	10,598	146	-	38,783	122,967	550,141	56,978	607,119
Adjustment of share premium	-	(617)	-	-	-	-	-	-	(617)	-	(617)
Warrant exercise	17	6	-	(6)	-	-	-	-	17	-	17
Acquisition in subsidiaries	-	-	-	-	-	-	-	-	-	12,646	12,646
Change in ownership interests in subsidiaries	-	-	-	-	-	-	-	(18,816)	(18,816)	(19,386)	(38,202)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(1,354)	(1,354)
De-consolidation of subsidiaries	-	-	32,238	-	-	-	234	-	32,472	(18,378)	14,094
Realisation on usage of property	-	-	-	-	-	-	(298)	298	-	-	-
Loss after taxation for the financial year	-	-	-	-	-	-	-	(20,593)	(20,593)	(2,712)	(23,305)
Other comprehensive income for the financial year, net of tax											
- Foreign currency translation	-	-	-	-	27,629	-	-	-	27,629	6,261	33,890
- Share of equity accounted reserves	-	-	-	-	-	(4,081)	-	-	(4,081)	-	(4,081)
Total comprehensive income /(loss) for the financial period	-	-	-	-	27,629	(4,081)	-	(20,593)	2,955	3,549	6,504
At 31st March 2015	306,042	103,249	-	10,592	27,775	(4,081)	38,719	83,856	566,152	34,055	600,207

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 2014 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Cash Flow Statement

For the Fourth quarter ended 31st March 2015

	Cumulative 31st March 2015 RM'000	Cumulative 31st March 2014 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(17,039)	35,085
Adjustments for:		
Non-Cash Items	43,309	39,876
Interest income	(2,851)	(825)
Finance costs	26,070	21,641
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	49,489	95,777
Changes in working capital		
Net changes in current assets	(15,321)	(78,078)
Net changes in current liabilities	(33,164)	(56,277)
NET CASH GENERATED FROM/(FOR) OPERATIONS	1,004	(38,578)
Dividend received	120	-
Interest received	2,851	825
Interest paid	(26,071)	(21,641)
Tax paid	(17,959)	(13,941)
NET CASH FOR OPERATING ACTIVITIES	(40,055)	(73,335)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of an intangible asset	(16,296)	(12,240)
Acquisition of subsidiaries, net of cash acquired	(51,314)	(31,073)
Acquisition of available for sale investment	(772)	(7,500)
Divestment of a subsidiary, net of cash acquired	13,658	-
Dividend received from an associate	-	171
Net cash flows from additional investment in subsidiaries	-	6,964
Net paid on acquisition of investment in an associate	-	(12)
Proceeds from disposal of subsidiaries, net of cash	4,378	-
Proceeds from disposal of plant and equipment	5,346	892
Proceeds from shares subscribed by non-controlling interests	49	260
Purchase of development expenditure	(2,411)	(3,942)
Purchase of concession assets	(3,924)	(2,623)
Purchase of plant and equipment	(14,402)	(30,859)
NET CASH FOR INVESTING ACTIVITIES	(65,688)	(93,890)

Condensed Consolidated Cash Flow Statement

For the Fourth quarter ended 31st March 2015
(continued)

	Cumulative 31st March 2015 RM'000	**Cumulative 31st March 2014 RM'000**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	-	(8,867)
Net proceeds from issuance of ordinary shares	17	138,196
Net repayment of hire purchase and lease payables	(2,195)	(2,610)
Net proceeds from short term borrowings	-	11,846
Net proceeds from / (repayment of) bankers' acceptances	2,862	42,658
Proceeds from drawdown of trade and term loans	485,948	335,078
Repayment of trade and term loans	(359,020)	(317,116)
Placement of pledged deposit	(27,041)	(1,353)
NET CASH FROM FINANCING ACTIVITIES	100,571	185,986
Net changes in cash and cash equivalents	(5,172)	18,761
Effects of exchange rate changes	-	2,000
Cash and cash equivalents at beginning of the year	71,160	50,398
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	65,988	71,159

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

Deposits with licensed banks	40,135	23,782
Cash and bank balances	63,393	81,670
Less: Deposits pledged with licensed banks	(37,540)	(10,500)
Less: Bank overdrafts	-	(23,793)
	65,988	71,159

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 2014 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 2015 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 2014.

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 2015 was as follows:-

	Trusted Identification & Payment and Transportation	Sustainable development, Agro and Food & Industrial Building Systems	Environment & Renewable Energy	Paper and plastic products, colour separation & printing	Education	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	376,738	115,089	43,865	24,549	4,250	564,491
Segment results	62,924	(32,074)	(5,802)	(1,290)	(3,243)	20,515
Unallocated corporate expenses						(26,553)
Other income						19,539
Operating profit						13,501
Finance costs						(26,070)
						(12,569)
Share of loss of associates						(4,471)
Loss before taxation						(17,040)
Income tax expense						(6,265)
Loss after taxation						(23,305)

5. Capital Commitments

	As at 31st March 2015 RM'000
Authorised and contracted for:-	
Purchase of property, plant and equipment	8,594

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

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

The Company had on 31st March 2015 via its subsidiary IRIS KOTO (M) Sdn. Bhd. ("IRIS KOTO") had entered into a Share Sale Agreement ("SSA") with the Purchasers for the sale of 900 ordinary shares representing 90% of the issued and allotted ordinary shares of IPE Insulation (M) Sdn Bhd ("IPE") (hereinafter referred to as the "Sale Shares") for a total cash consideration of Ringgit Malaysia One Million Five Hundred Thousand (RM1,500,000.00) only ("Purchase Price"). With the completion of the sale under this Share Sale Agreement, IPE will cease to be a subsidiary of IRIS KOTO.

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.

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 2015, 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 RM82,615,000.

ii) A wholly-owned subsidiary with its joint venture partner in Turkey ("both parties are henceforth known as "JVCO") is defending an action brought by Security General Directorate of Ministry of Interior or Emniyet Genel Mudrlugu (EGM") in Turkey. If defence against the action is finally unsuccessful, then the estimated potential liability to the JVCO is limited to the total sum of RM9,093,982 which the ICB Group will be liable for 75% of the amount with interest. Further detailed information of this litigation case is disclosed in Note 24 of this report.

13. Taxation

	Individual 3 months ended		Cumulative 12 months ended	
	31st March 2015 RM'000	**31st March 2014 RM'000**	**31st March 2015 RM'000**	**31st March 2014 RM'000**
Income tax				
- Current financial year	(815)	(11,291)	(7,410)	(19,060)
- Over/(Under) provision in prior years	-	577	1,145	(1,298)
	(815)	(10,714)	(6,265)	(20,358)
Deferred tax				
- Current financial year	-	3,902	-	3,908
Total tax expense	(815)	(6,812)	(6,265)	(16,450)

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 2015 were as follows:

	RM'000
Major shareholder of the Company	
The Federal Land Development Authority ("FELDA")	
- Sales of construction of sustainable development project	27,893

Additional information required by the AMLR

15.1 Review of Performance

For the twelve (12) months financial period ended 31st March 2015, the Group recorded a revenue and loss before taxation of RM564.5 million and RM17.0 million, representing an decrease of 1.53% and 148% from RM573.3 million and profit before taxation of RM35.1 million respectively recorded in the previous comparable financial year.

The loss before taxation of RM17.0million for this financial year was mainly due to total charge out of RM29.6million arising from the pre-operating costs in relation to Bangladesh MRP Passport Outsourcing Project (the revenue of the project will be generated in the next financial year), higher charges related to impairment of goodwill in Agro Division, the loss from disposal of Amata Waste-To-Energy Incineration Plant and the share of loss of ICB's significant associate – Versatile Creative Bhd in the current financial year.

The performance of the respective business segments for the financial year ended 31st March 2015 as compared to the previous comparable financial year is analysed as follows:-

The traditional core business - Trusted Identification Division and Payment & Transportation Division recorded lower revenue of RM376.8 million in the current financial year ending 31st March 2015 from RM434.0 million in the previous comparable year, representing a decrease of 13.2%. The lower revenue was mainly attributed to the lower delivery under of Tanzania e-ID Project, Bangladesh MRP Passport Project and assembly purchase orders for NBS card printers, partially offset by higher revenue of the Nigeria e-Passport Project in the current financial year.

The Sustainable Development, Agro and Food Technology and Industrial Building Systems Division recorded revenue of RM115.1 million in the current financial year ended 31st March 2015 from RM84.2 million, representing an increase of 36.7%. The revenue showed an increase mainly due to the additional contribution from the recent contracts awarded for Rimbunan Kaseh and Sentuhan Kasih Programmes from the State Governments and FELDA respectively. In the meantime, the Divisions have initiated cost reduction and capital budgeting measures to enhance efficiency and productivity.

The Environment & Renewable Division recorded higher revenue of RM43.9 million in current financial year ending 31st March 2015 from RM37.6 million in the previous comparable year, representing an increase of 17%. The increase is mainly due to higher yield generated from the Waste-to-Energy Incinerator Plant in Phuket.

The Education Division recorded revenue of RM4.3 million in the current financial year ending 31st March 2015. The revenue was not comparable as ICB only took over the management control of Stamford Colleges in 1st quarter of financial year 2015.

For the current financial quarter ended 31st March 2015, the Group recorded a revenue and loss before taxation of RM137.2 million and RM24.8 million, representing a decrease of 13.4% and 493.2% from RM158.4 million and profit before taxation of RM6.3 million respectively recorded in the previous comparable quarter last year.

15.2 Comparison with Preceding Quarter

For the current financial quarter which ended on 31st March 2015, the Group recorded revenue of RM134.0 million, representing a decrease of 5.5% (or RM0.8mil) from RM141.8 million recorded in the preceding quarter ended 31st December 2014.

The loss before taxation for the current financial quarter was RM24.8 million, recording a decrease of RM26.9 million as compared to RM2.1 million recorded in the preceding quarter ended 31st December 2014. The decrease in profit before taxation was mainly due to the charge out of pre-operating costs in relation to Bangladesh MRP Passport Outsourcing Project (the revenue of the project will be generated in the next financial year), higher impairment loss incurred in Agro Division and ICB’s significant associate – Versatile Creative Bhd in the current financial quarter.

16. Prospects

For the financial year 2016, the prospects for the core business remains bright. This Division’s revenue is expected to be derived mainly from the trusted identification projects, namely Malaysia e-Passport inlays, Nigeria e-Passport inlays, Tanzania e-ID cards project, Senegal e-Passport project, Guinea e-Passport project and Bangladesh MRP Passport Outsourcing project. The Automatic Fare Collection Project, payment cards and banking cards will continue to contribute positively to the Payment and Transportation’s performance.

The Sustainable Development Division, Food & Agro Technology Division and Koto Industrialised Building Division remain challenging in the FYE 31st March 2016, these divisions are expected to achieve satisfactory performance if the respective divisions receive their targeted letters of award for the Rimbunan Kaseh and Sentuhan Kasih projects from the State Governments and FELDA respectively.

For the Environment & Renewable Energy Division, the 700-tonnes per day Waste-to-Energy Incinerator Plant in Phuket, Thailand is expected to produce positive results in the financial year 2016. The 300-tonnes per day Food Waste-to-Fertilizer Plant in Weinan, China is expected to contribute to earnings in the next financial year ending 31st March 2016.

In our maiden venture in Papua New Guinea (“PNG”), the residential property development project called Gerehu Heights consisting of 290 units of landed villas has emerged as another growth opportunity for the Group. The property development in PNG is expected to produce results in the next financial year.

For the Education Division, the move to Plaza Menjaralara, Bandar Sri Menjarala, Kepong has been one of the prime movers for the college to consolidate its position in its new locality in the suburb of Kuala Lumpur. One of the main targets of the division in the coming financial year is to enrol higher student numbers in the new campus.

In view of the above, the operating performance of the Group is expected to be satisfactory as compared to the previous financial year.

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 as disclosed in Note 7.

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 2015 RM'000
Investment in an unquoted shares in Malaysia	7,500
Investment in an unquoted shares in Singapore	2,378
Investment in an unquoted shares in Hong Kong	981
Investment in an unquoted shares in Republic of Palau	6,919
Golf Club Membership	406
(Less): Allowance for diminution in value	(3,359)
	14,825

21. Status of Corporate Proposals and utilisation of proceeds

There were no corporate proposals announced but not completed as at 22nd May 2015, 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:

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 22nd May 2015 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	

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	242,341	162,800	405,141
Unsecured	72,807	-	72,807
	315,148	162,800	477,948

All of the above borrowings are denominated in Ringgit Malaysia other than trade and term loan borrowings amounting to RM143.7million that are denominated in USD dollar.

23. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 22nd May 2015 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 22nd May 2015:

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

IRIS Corporation Berhad ("ICB") 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 under 35U.S.C. 271(g).

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, i.e. US Court of Federal Claims. However the governing case law at that time of the commencement of the suit held that the statute permitting patent infringement suits against the US Government did not apply to U.S.C. 271(g) type infringement, that is, it did not apply to situations where the product used in the USA had been manufactured outside of USA. Hence not being permitted to sue the US Government because the passports in issue were manufactured outside of USA and being impractical to sue the individual passport holder, IRIS targeted JAL which used e-passports as their check-in procedures conducted at airport facilities in the USA.

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 was 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. The hearing of the Appeal was reopened for hearing in the US Court of Appeals for the Federal Circuit in Washington.

The case was fully briefed and parties submitted their respective submissions for argument in open court on 8 September 2014. The United States Government then filed a friend of the court (amicus curiae) brief stating, in essence, that the District Court was incorrect, but nevertheless the case should be dismissed in that the proper defendant is the United States government in light of a change in the law that occurred subsequent to the filing of the appeal. The United States Airlines Industry Association also filed a friend of the court brief agreeing with the position taken by the United States government.

On October 21st 2014 the United States Court of Appeals for the Federal Circuit gave its decision and ruled that JAL's allegedly infringing acts are carried out "for the United States" under 28U.S.C. 1498(a) and affirmed the District Court's decision to dismiss IRIS' suit.

Pursuant to the advice of the US Department of Justice in their amicus brief and our Solicitors, ICB has proceeded on 24th February 2015 to file a Complaint against the US Federal Government (Case1:15-cv-00175-EGB) under Section 28 U.S.C. 1498 for reasonable compensation for the unlicensed manufacture and use of ICB's 506 Patent methods, amounts of which shall be based upon the profit ICB would have made had ICB manufactured each of the e-passport inlays that form the subject matter of the suit. By this Complaint, ICB seeks damages based upon the reasonable compensation formula.

24. Material Litigation (cont'd)

On the 27th of April 2015 the Defendant, the US Government replied to the Complaint and enclosed a Defense. On 8th May 2015, the Defendant filed a Joint Motion to stay the proceedings pending for entry of potential third parties. Order of Stay was granted on even date pending the filing of third party pleadings until 30th June 2015 or if a third part submits a pleading or until no later than 30 days after the last third party pleading is submitted.

(ii) (1) IRIS Technologies (M) Sdn Bhd (2) Kunt Electronic Sanayii ve Ticaret A.S (both parties are henceforth known as "JVCO") vs Security General Directorate of Ministry of Interior or Emniyet Genel Mudurlugu (Turkey)

The Company received the update on the court proceedings of the consolidated Ankara 12th Civil Court of First Instance (2009/343) and 23rd Civil Court of First Instance Ankara (2010/347) and several merged cases relating thereto from its solicitors in Turkey.

The Company was informed that a decision was declared on 16th September 2014 and was duly served on the JVCO on 28th January 2015. The Company makes this announcement as soon as the facts and figures in the Judgment which is in the Turkish language is accurately verified and endorsed by its solicitors.

The Judgment declared the following:-

1. The JVCO's claim for unlawful termination by EGM and payment for the balance amount of (Turkish Lira) TL6.195.000 (equivalent to RM9,014,221) due to the JVCO for works completed was rejected.
2. EGM's claim for the refund of monies paid to the JVCO for the completion of Phase 1 (delivery of hardware and equipment) of the Project to the amount of TL6.195.000 (equivalent to RM9,014,221) was allowed and declared that the JVCO had to return the said amount to EGM with interest.
3. The JVCO to pay TL5.053,84 (equivalent to RM7,354) as compensation for loss suffered by EGM ; and
4. EGM's claim of TL49.761,53 (equivalent to RM72,407) as expenses arising from their performance of the contract and loss due to the termination was allowed and the JVCO was ordered to pay the said amount as compensation.

JVCO has duly notified its lawyers and is being advised as to the next course of action. The estimated potential liability to the JVCO is limited to the total sum of RM9,093,982 which the ICB Group will be liable for 75% of the above sum with interest.

24. Material Litigation (cont'd)

(iii) IRIS Eco Power Sdn Bhd vs IPSA Group PLC (Court of Appeal, Civil Appeal No.: W-02(IM)(NCC)-781-05/2014)

On 1st August 2013, IRIS Eco Power Sdn Bhd ("IEPSB") filed a claim in the Kuala Lumpur High Court ("Court") against IPSA Group Plc ("IPSA"), a company registered in England and Wales for a breach of the Sale and Purchase Agreement of 2 Gas Turbine Generating Sets with Ancillary Equipment. IEPSB claimed 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 managed to serve the Claim to IPSA.

IPSA then filed an application to challenge the jurisdiction of the Court to determine the dispute in this case. On 25th March 2014, the Court struck out IEPSB's Claim with costs of RM30,000 to be paid by IEPSB to IPSA. IEPSB subsequently entered an appeal against this decision to the Court of Appeal on 25th March 2014. The file was pending case management until it was fixed the hearing for 16th April 2015. On this date upon considering the relevant Records of Appeals filed including the respective submissions and hearing of oral submissions of the counsels, the Court of Appeal dismissed the case with costs of RM20,000 to be paid to the Respondent. (IPSA). The Court of Appeal upheld the decision of the High Court that there were a lack of connecting factors that would allow the Malaysian courts to exercise jurisdiction over the dispute.

IEPSB has been advised by its Solicitors that it may appeal the decision of the Court of Appeal to the Federal Court subject to obtaining the leave of the Federal Court which must be made before 18th May 2015. IEPSB has decided to proceed to file the application to obtain the leave of the Federal Court before the 18th May 2015 of which was duly filed within the time frame. The Solicitors inform IEPSB that the Federal Court registry has given a Suit Number for the hearing of the Notice of Motion. IEPSB await for the hearing date from the Federal Court.

(iv) United Logistics Sdn Bhd vs Stamford College (PJ) Sdn Bhd, Stamford College Berhad and IRIS Corporation Berhad (High Court of Kuala Lumpur, Civil Suit No.: 22NCC 312-08/2014

On 26th August 2014, United Logistics Sdn Bhd ("Plaintiff") had filed a Writ of Summons at the High Court of Kuala Lumpur against Stamford College (PJ) Sdn Bhd ("SCPJ"), a subsidiary of IRIS Corporation Berhad ("ICB"), as the Defendant. The Defendant further filed a Third Party Notice on 13th October 2014 against Stamford College Berhad ("SCB") hence adjoining SCB under this Writ.

24. Material Litigation (cont'd)

Under the Statement of Claim, the Plaintiff alleges that it had provided 3 friendly loans to SCPJ wherein the First Loan for the amount of RM500,000 was paid on 23rd July 2012; the Second Loan on 3rd September 2012 for the sum of RM250,000 and the Third Loan was paid to Maju Institute of Educational Development ("MIED") for the sum RM1,500,000 on the instruction of SCPJ. The total sum claimed by the Plaintiff under the Writ is RM2,224,262.75, interest upon judgement sum at the rate of 5% per annum calculated on a daily basis from the date of filing the writ and costs. The Plaintiff further alleges that ICB had noticed of the 3 friendly loans given to SCPJ before it acquired the 51% shareholding of SCPJ and hence ICB shall be liable to pay the sums loaned by the Plaintiff to SCPJ.

SCB has via its solicitors filed a 4th Party Notice against ICB on 12th November 2014 and served the same on ICB. The matter was fixed for several case managements until 5th February 2015 when the matter was fixed for hearing of the Third Party's (SCB) application to strike out/set aside the 3rd Party Notice. Upon considering the respective written submissions and after hearing the oral submissions of the respective counsels, the Court allowed for the striking out with costs of RM40,000. As a consequence the 4th party being ICB was also struck out. ICB shall deem this litigation file resolved and closed.

(v) IRIS Corporation Berhad vs Tan Chin Hwang (High Court of Pulau Pinang Saman Pemula No: 24FC-230-04/2015)

ICB entered into an Equipment Lease Agreement ("Agreement") with IQPR Sdn, Bhd ("the Defendant") on 3rd May 2011 where a security was given by Mr Tan Chin Hwang to ICB in respect of this Agreement. The Security in question was a charge registered on a piece of land known as GRN 56247 Lot 3635, Bandar Tanjong Bungah, Daerah Timur Laut, Negeri Pulau Pinang ("the Security") The Charge over the Security was registered on 10th June 2011 and no other charges exist on the said Security. Due to the Defendant committing several defaults in its obligations under the Agreement, ICB had sent out letters of demand and intent dated 13th December 2013 and 6th March 2014 stating its intent to enforce its rights over the Security in view of the Defendant's continued breaches. By the same letter ICB terminated the Agreement.

ICB via its solicitors had on 28th January 2015 issued a letter enclosing the Form 16D Notice under the National Land Act and the Certificate of Indebtedness on the Defendant which was duly acknowledged receipt by the Defendant personally on 31st January 2015. On 2nd April ICB's solicitors filed an Originating Motion pursuant to Seksyen 256 and 257 of the National Land Code 1965 and Orders 31 and 83 of Court Rules 2012. The case was fixed for case management on 11th May 2015 and on this date the Defendant's lawyers attended court and requested for additional time to see further instructions from their client in respect of the suit. The case is fixed for further case management on 2nd June 2015.

25. Realised and Unrealised retained earnings

Breakdown of retained earnings of the Group is as follows:

	As at 31st March 2015 RM'000	As at 31st March 2014 RM'000
Total retained earnings:		
i) The Company and its subsidiaries		
- Realised profits/(losses)	52,416	91,571
- Unrealised profits/(losses)	(19,714)	(19,758)
	32,702	71,813
ii) Associates		
- Realised profits/(losses)	(7,832)	1,948
- Unrealised profits/(losses)	-	-
	(7,832)	1,948
	24,870	73,761
iii) Group consolidated adjustments	58,986	49,206
Total retained earnings of the Group	83,856	122,967

26. Dividend

The Company did not pay any dividend in the current financial quarter.

27. (Loss)/Earnings Per Ordinary Share

	Individual 3 months ended		Cumulative 12 months ended	
	31st March 2015	**31st March 2014**	**31st March 2015**	**31st March 2014**
(a) Basic (loss)/earnings per ordinary share				
(Loss)/Profit attributable to owners of the Company for the period (RM'000)	(26,045)	2,856	(20,594)	23,286
Weighted average number of ordinary shares ('000)	2,040,283	1,691,255	2,040,283	1,691,255
Basic (loss)/earnings per ordinary share (Sen)	**(1.28)**	**0.17**	**(1.01)**	**1.38**
(b) Diluted earnings per ordinary share				
Profit attributable to owners of the Company for the period (RM'000)	-	2,856	-	23,286
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)	-	2,856	-	23,286
Weighted average number of ordinary shares ('000)	-	1,733,396	-	1,733,396
Adjustment for assumed exercise of Warrants A ('000)	-	31,156	-	31,156
Adjustment for assumed exercise of Warrants B ('000)	-	145,936	-	145,936
Effect of treasury shares ('000)	-	(42,141)	-	(42,141)
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	-	1,868,347	-	1,868,347
Diluted earnings per ordinary share (Sen)	**N/A***	**0.15**	**N/A***	**1.25**

**The dilution loss per ordinary share is not presented as it has no dilutive effect.*

28. (Loss)/Profit before taxation

	Individual 3 months ended 31st March 2015 RM'000	**Cumulative 12 months ended** 31st March 2015 RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):		
- Allowance for impairment of goodwill	5,714	5,714
- Amortisation of concession assets, intangible assets and depreciation of property, plant and equipment	8,763	30,549
- Loss on disposal of plant and equipment	-	5,099
- Provision for doubtful debts and allowance for impairment loss on receivables	5,715	5,715
- Provision for slow moving inventories	3,990	3,990
- Net foreign exchange (gain)/loss	(3,583)	3,203