

THE STORE CORPORATION BERHAD
(Company No: 252670-P)
(Incorporation in Malaysia)

**NOTES TO INTERIM FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 30 SEPTEMBER 2013**

A1. First-time Adoption of Malaysian Financial Reporting Standards (“MFRS”)

The condensed consolidated interim financial statements ("Report") have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Report also complies with IAS 134: Interim Financial Reporting issued by the International Accounting Standards Board ("IASB"). For the periods up to and including the financial year ended 30 September 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS"). The condensed consolidated interim financial statement should be read in conjunction with the audited financial statement for the financial year ended 30 September 2012.

These are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the financial year ended 30 September 2013. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

The explanatory notes attached to this Report 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 year ended 30 September 2012.

In preparing its opening MFRS Statement of Financial Position as at 1 October 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position, profit or loss and statement of cash flows is set out in Note A2.1 below. These notes include reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS.

A2. Significant Accounting Policies

A2.1 Application of MFRS 1

The audited financial statements of the Group for the financial year ended 30 September 2012 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this Report are consistent with those of the audited financial statements for the financial year ended 30 September 2012 except as discussed below:

(a) Property, plant and equipment

The Group has previously adopted a regular revaluation policy in accordance with FRS 116 Property, Plant and Equipment, of which certain freehold land and buildings were carried at revalued amounts and revaluation was performed at least once in every five years.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of the transition to MFRS, the Group elected to regard the valuation of the said properties as at transition date as the deemed cost at the date of revaluation as this amount was broadly comparable to the fair value at that date. The revaluation surplus of **RM65,075,008** as at 30 September 2012 was transferred to retained profits on the date of transition to MFRS.

(b) Investment properties

The Group has previously adopted the fair value model for its investment properties in accordance with FRS 140 Investment Property. Fair values is arrived at by reference to market evidence of transaction prices for similar properties and is derived based on directors' valuation by reference to the existing market condition. Any gains or losses arising from changes in the fair values are recognised in profit or loss in the year in they arise.

Upon transition to MFRS, the Group has elected to measure all its investment properties using the cost model under MFRS 140 Investment Property. At the date of the transition to MFRS, the Group elected to regard the fair value of its investment properties at transition date amounted to **RM70,196,301** as the deemed cost as this amount was broadly comparable to the fair value at that date. This has resulted in additional depreciation charge of **RM606,459** on the investment properties for the financial ended 30 September 2012.

(c) Foreign currency translation

Under FRS, the Group recognised translation differences on foreign operations as a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be nil as at the date of transition to MFRS.

Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation differences of **RM446,377** as at 1 October 2011 was adjusted to retained profits as at that date as well as 30 September 2012.

The reconciliations of equity, total comprehensive income and statement of financial position for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided as below:

Reconciliation of equity as at 1 October 2011

RM'000	FRS as at 1.10.11	Effect of transition to MFRS	MFRS as at 1.10.11
Equity			
Asset revaluation reserve	65,437	(65,437)	-
Foreign currency translation reserve	447	(447)	-
Retained profits	283,440	65,884	349,324

Reconciliation of equity as at 30 September 2012

RM'000	FRS as at 30.09.12	Effect of transition to MFRS	MFRS as at 30.9.12
Equity			
Asset revaluation reserve	65,075	(65,075)	-
Foreign currency translation reserve	719	(719)	-
Retained profits	295,416	65,188	360,604

Reconciliation of total comprehensive income as at 30 September 2012

RM'000	FRS as at 30.09.12	Effect of transition to MFRS	MFRS as at 30.09.12
Total comprehensive income			
Other operating expenses	(1,859,127)	(606)	(1,859,733)
Profit before tax	27,445	(606)	26,839
Profit for the period/Total comprehensive income for the period	13,938	(606)	13,332

Reconciliation of statement of financial position as at 30 September 2012

RM'000	FRS as at 30.09.12	Effect of transition to MFRS	MFRS as at 30.9.12
Statement of financial position			
Investment properties	125,772	(606)	125,166

A2.2 Standards issued but not yet effective

At the date of authorisation of this Report, the following Malaysia Financial Reporting Standards ("MFRSs"), Amendments to MFRSs and IC Interpretation ("IC Int") were issued but not yet effective and have not been applied by the Group:

MFRSs, Amendments to MFRSs and IC Interpretation		Effective date
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (International Accounting Standard ("IAS") 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015

A3. Auditors' Report

There were no qualifications on auditors' report of the audited financial statements for the financial year ended 30 September 2012.

A4. Seasonal or Cyclical Factors

The business operations of the Group are normally performed better during major festive seasons.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cashflow

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current quarter under review.

A6. Changes in estimates

There was no material changes in the nature and amount of estimates reported in prior interim period of prior financial year that have a material effect in the current quarter results.

A7. Changes in Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-back, share cancellation, shares held as treasury shares or resale of treasury shares during the current quarter under review.

A8. Dividends Paid

There were no dividends proposed or paid in this current quarter under review.

A9. Segmental Report

No segmental analysis is prepared as the Group is primarily engaged in retail operations and related activities in Malaysia.

A10. Valuation of Property, Plant and Equipment

The Company has not carried out valuation on its property, plant and equipment in the current financial quarter under review.

A11. Related Party Transactions

During the current financial quarter under review and up to the date of this announcement, the Group did not enter into any related party transactions of a revenue or trading nature that has not been included or exceeded the estimated value by 10% or more which had been mandated by the shareholders at the Annual General Meeting held on 28 March 2013.

A12. Material Events Subsequent to the End of the Period

There were no material events, which have arisen from the current financial quarter under review to the date of this announcement, which would substantially affect the current financial results of the Group.

A13. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A14. Contingent Liabilities

As at 30 September 2013, the Company's contingent liabilities in respect of corporate guarantee granted to its subsidiaries amounting to RM104,600,000.

A15. Capital Commitments

As at 30 September 2013, the Group has no material capital commitments in respect of property, plant and equipment.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BHD MAIN MARKET LISTING REQUIREMENTS

B1. Review of Performance of the Company and its Principal Subsidiaries

For the quarter under review, the Group's revenue of RM529.07 million was 5.07% or RM28.28 million lower than the revenue in previous corresponding quarter of RM557.35 million. During the same quarter, the Group had recorded a profit before tax of RM7.57 million which was 60.04% higher than the profit before tax of RM4.73 million in the previous corresponding quarter. The decrease in revenue but increase in profit before tax was mainly attributed to the slightly lower sales volume and increase in profit margin.

For the 12 months financial period ended 30 September 2013, the Group had achieved revenue of RM1,888.21 million, which was 1.43% or RM26.62 million higher than the revenue in previous corresponding period of RM1,861.59 million.

During the same financial period, the Group recorded a profit before tax of RM35.27 million, which was 31.42% higher than the profit before tax of RM26.84 million in the previous corresponding period. The increase was mainly due to the improvement in revenue, saving in operating cost which derived from the consolidation of certain underperforming outlet with the outlet in the vicinity as well as increase in the other income.

B2. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

The Group's revenue for the current quarter under review was RM529.07 million, an increase of 36.75% from the revenue in preceding quarter of RM386.88 million. Profit before tax for the current quarter under review was RM7.58 million, an increase of 149.43% as compare to RM3.04 million recorded in the preceding quarter.

The increase in both revenue and profit before tax was mainly due to higher sales recorded during the Hari Raya festive season in the current quarter compared to the absence of the festive seasons in the preceding quarter.

B3. Prospects for Current Financial Year

The Group is mindful of the prevailing uncertainties and difficulties in the competitive environment and will continue to implement the rationalisation of its operations by enhancing efficiencies and effectiveness of the operations.

Barring any unforeseen circumstances, the Board is expected to deliver a satisfactory financial performance for the current financial year.

B4. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast nor profit guarantee during the current quarter under review.

B5. Taxation

Taxation comprises:	30.09.2013 RM'000	30.09.2012 RM'000
<u>Tax Expense :</u>		
- Current year	16,007	14,244
- (Under)/Over provision in prior year	-	(641)
	-----	-----
	16,007	13,603
<u>Deferred Tax :</u>		
- Current year	(944)	(944)
- (Under)/Over provision in prior year	-	1,123
	(944)	179
	-----	-----
	15,063	13,782
	=====	=====

The Company's effective tax rate is higher than the statutory tax rate as certain expenses are not deductible for tax purposes.

B6. Note to the Statements of Comprehensive Income:

Profit before tax is arrived at after crediting/(charging) the following :

	Current quarter RM('000)	Current year to date RM('000)
(a) Interest income;	858	3,074
(b) Other income including investment income;	9,565	39,710
(c) Interest expense;	(2,955)	(12,035)
(d) Depreciation and amortization;	(9,809)	(38,195)
(e) Provision for and write off of receivables;	-	-
(f) Provision for and write off of inventories;	-	-
(g) Gain/(loss) on disposal of properties, plant and equipment;	(39)	1,940
(h) Gain/(loss) on disposal of investment;	-	-
(i) Impairment of assets;	-	-
(i) Foreign exchange gain/(loss);	-	-
(j) Gain/(loss) on derivatives; and	-	-
(k) Exceptional items (with details).	-	-

B7. Derivative Financial instruments

There were no derivative financial instruments as at 30 September 2013.

B8. Status of Corporate Proposals

There were no corporate proposals announced by the Group but not completed as at 30 September 2013.

B9. Group Borrowings

Total group borrowings as at 30 September 2013 are as follows:

	30.09.2013 RM'000	30.09.2012 RM'000
<u>Long term borrowings (Secured)</u>		
<u>Term Loans</u>		
Total outstanding balances	224,445	256,744
Repayments due within the next 12 months	(31,929)	(32,145)
	-----	-----
	192,516	224,599
	-----	-----
<u>Hire purchase and Finance lease liabilities</u>		
Total outstanding balances	-	-
Repayments due within the next 12 months	-	-
	-----	-----
	-	-
	-----	-----
Total	200,581	224,599
	=====	=====
<u>Short term borrowings</u>		
<u>(Secured)</u>		
Long term loans (current portion)	31,929	32,145
Bankers acceptance	-	-
Bank overdrafts	-	-
	-----	-----
Total	31,929	32,145
	=====	=====

All borrowings are in Malaysian Ringgit.

B11. Material Litigation

Further to the announcement made on 15 March 2013 in respect of the suit filed between The Store (Terengganu) Sdn Bhd (“TST”) (a wholly owned subsidiary of The Company) and ABI Construction Sdn Bhd (“ABI”). Both parties had gone for full litigation and the trial was finally completed on 4 November 2013 and the High Court had directed both parties to submit their respective Written Submissions before 18 December 2013 and thereafter to fix a date to deliver the final decision or judgment for this case.

B12. Dividend

No interim dividend has been recommended by the Board for the financial period ended 30 September 2013.

B13. Earnings Per Share

Basic earnings per share is calculated by dividing the Group's net profit for the period by the weighted average number of ordinary shares in issue during the period, disclosed as follows:-

	12 months Ended 30 September 2013 (RM'000)	12 months Ended 30 September 2012 (RM'000)
(i) Net profit attribute to owners of the parent (RM'000)	20,212	13,063
(ii) Weighted average number of ordinary shares in issue ('000)	68,504	68,504
Basic earnings per share (sen)	29.50 =====	19.07 =====

The Company does not have any dilutive potential ordinary shares outstanding as at 30 September 2013. Accordingly, no diluted earnings per share are presented.

B14. Disclosure of Realised and Unrealised Profit/loss

The breakdown of the retained profits of the Group as at 30 September 2013, into realised and unrealised profit/losses, is as follows:

	12 months Ended 30 September 2013 (RM'000)	As at Financial Year Ended 30 September 2012 (As Restated) (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	490,800	492,074
- Unrealised	<u>(8,427)</u>	<u>(8,427)</u>
	482,373	483,647
less: Consolidation adjustments	<u>(104,126)</u>	<u>(123,043)</u>
Total retained profits as per statements of financial position	378,247 =====	360,604 =====

The determination of realised and unrealised profit is based on the Guidance on Special Matter No.1: *Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profit above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.