

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

**NOTES TO INTERIM FINANCIAL STATEMENTS FOR  
THE PERIOD ENDED 30 SEPTEMBER 2016**

**A1. Basis of Preparation**

The condensed consolidated interim financial statements (“Report”) have been prepared in accordance with Malaysian Financial Reporting Standards (“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 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

This condensed report should be read in conjunction with the audited financial statements for the financial year ended 30 September 2015. 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 31 September 2015.

**A2. Significant Accounting Policies**

**Standards issued but not yet effective**

At the date of authorisation of this Report, the following Standards were issued but not yet effective and have not been applied by the Group:

**Effective for annual periods beginning on or after 1 January 2016**

MFRS 14 *Regulatory Deferral Accounts*

Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

Amendments to MFRS 101 *Disclosure Initiative*

Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*

Amendments to MFRS 127 *Equity Method in Separate Financial Statements*

Amendments to MFRS *Annual Improvements to MFRS 2012–2014 Cycle*

**Effective for financial periods beginning on or after 1 January 2017**

*Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives*

*Amendments to MFRS 112 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

**Effective for annual periods beginning on or after 1 January 2018**

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 15 *Revenue from Contracts with Customers*

*Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions*

*Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures*

**Effective for financial periods beginning on or after 1 January 2019**

*MFRS 16 Leases*

### **Effective date yet to be confirmed**

#### *Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group upon adoption except as mentioned below:

#### ***MFRS 15 Revenue from Contracts with Customers***

*MFRS 15* replaces the guidance in *MFRS 111 Construction Contracts*, *MFRS 118 Revenue*, *IC Int 13 Customer Loyalty Programmes*, *IC Int 15 Agreements for Construction of Real Estate*, *IC Int 18 Transfers of Assets from Customers* and *IC Int 131 Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of *MFRS 15*, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of *MFRS 15* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 15*.

#### ***MFRS 16 Leases***

The scope of *MFRS 16* includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

*MFRS 16* requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under *IAS 17*. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today’s accounting under *IAS 17*. Lessors will continue to classify all leases using the same classification principle as in *IAS 17* and distinguish between two types of leases: operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Group and the Company are currently assessing the financial impact of adopting *MFRS 16*.

### **A3. Auditors’ Report**

There were no qualifications on auditors’ report of the audited financial statements for the financial year ended 30 September 2015.

**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 were no materials 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 was no dividend 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 that estimated value by 10% or more which had been mandated by the shareholders at the Annual General Meeting held on 18 March 2016.

**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 major changes in the composition of the Group during the current quarter under review, except as follows:

On 30 September 2016, the Company disposed of its entire shares of the following subsidiary companies :

- a) Visual Utama Sdn Bhd
- b) The Store (Bentong) Sdn Bhd

**A14. Contingent Liabilities and Contingent Assets**

There were no contingent assets or contingent liabilities since the end of the last quarter report period.

**A15. Capital Commitments**

As at 30 September 2016, 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**

#### Current quarter (4Q16) against corresponding quarter of last year (4Q15)

For the current quarter under review, the Group had recorded revenue of RM323.50 million which was decreased by 23.2% or RM97.66 million as compared to the revenue in last year corresponding quarter of RM421.16 million. The Group had recorded a loss before tax of RM(9.65) million which has decreased by RM11.35 million as compared to RM1.70 million of profit before tax recorded in last year corresponding quarter.

The decrease in the revenue during this quarter was mainly due to shorter period of festive sales captured as Hari Raya fell earlier in this year as compared to last year, coupled with the slower shoppers traffic and cautious consumers spending as the inflating cost of living have weakening the consumer sentiments. Accordingly, the Group had recorded a loss before tax due to lower revenue recorded.

#### Current year to date (YTD 2016) against corresponding year to date (YTD 2015)

For the 12 months financial period as at 30 September 2016, the Group had achieved the revenue of RM1,436.08 million which was 12.2% or RM199.25 million lower than the revenue of RM1,635.33 million in the corresponding year to date and the profit before tax was dropped from RM24.85 million to RM4.32 million.

The decrease in the revenue was due to consumer sentiments still very weak even during festival season, following the concern over weakening ringgit and inflating cost of living. Accordingly, the profit before tax also decreased due to lower revenue recorded.

#### Current Quarter (4Q16) against preceding quarter (3Q16)

The Group's revenue for the current quarter under review was RM323.50 million, a decrease of 11.88% or RM43.61 million from the preceding quarter of RM367.11 million. The loss before tax for the current quarter under review was RM(9.65) million, a decrease of RM11.21 million as compare to RM1.56 million of the profit before tax recorded in the preceding quarter.

The decrease in the revenue was mainly due to longer period of festive season sales captured in the preceding quarter than current quarter as Hari Raya festive fell earlier in this year than last year.

### **B2. Commentary on Prospects**

In view of weakening Ringgit Malaysia, adjustment of post GST implementation and rising cost of living the Board expects the market conditions to remain challenging and competitive.

Despite the difficulties on economic condition, the Group will strike to ensure that it continues to achieve a satisfactory result in forthcoming financial year.

### **B3. Variance of Actual Profit from Forecast Profit**

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

**B4. Taxation**

Taxation comprises:	<b>30.9.2016</b>	<b>30.9.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Tax Expense :</u></b>		
- Current year	8,673	14,141
- (Over)/Under provision in prior year	103	(897)
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	8,776	13,244
<b><u>Deferred Tax :</u></b>		
- Current year	(2,280)	(1,649)
- (Over)/Under provision in prior year	-	564
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	6,496	12,159
	=====	=====

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

**B5. Note to the Statements of Comprehensive Income:**

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

	Current quarter RM('000)	Current year to date RM('000)
(a) Interest income;	686	2,611
(b) Other income including investment income;	11,821	42,561
(c) Interest expense;	(2,015)	(6,375)
(d) Depreciation and amortization;	(7,570)	(31,000)
(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;	-	-
(h) Gain/(loss) on disposal of investment in subsidiary ;	-	-
(i) Impairment of assets;	-	-
(i) Foreign exchange gain/(loss);	-	-
(j) Gain/(loss) on derivatives; and	-	-
(k) Exceptional items (with details).	-	-

**B6. Derivative Financial instruments**

There were no derivative financial instruments as at 30 September 2016.

**B7. Status of Corporate Proposals**

There were no other corporate proposals announced by the Group but not completed as at 30 September 2016.

## B8. Group Borrowings

Total group borrowings as at 30 September 2016 are as follows:

	30.9.2016 RM 000	30.9.2015 RM 000
<b><u>Long term borrowings (Secured)</u></b>		
<b><u>Term Loans</u></b>		
Total outstanding balances	86,821	114,933
Repayments due within the next 12 months	(28,127)	(28,112)
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	58,694	86,821
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<b><u>Hire purchase and Finance lease liabilities</u></b>		
Total outstanding balances	-	-
Repayments due within the next 12 months	-	-
	-----	-----
	-	-
	-----	-----
Total	58,694	86,821
	=====	=====
<b><u>Short term borrowings</u></b>		
<b><u>(Secured)</u></b>		
Long term loans (current portion)	28,127	28,112
Bankers' acceptance	-	-
Bank overdrafts	-	-
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Total	28,127	28,112
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All borrowings are in Malaysian Ringgit.

## B9. Material Litigation

There is no material litigation to be disclosed or updated in this interim financial statement.

## B10. Dividend

No interim dividend has been recommended by the Board for the financial period ended 30 September 2016.

## B11. 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:-

	<b>12 months Ended 30 September 2016 (RM'000)</b>	<b>12 months Ended 30 September 2015 (RM'000)</b>
(i) Net profit/(loss) attribute to owners of the parent (RM'000)	(2,180)	12,695
(ii) Weighted average number of ordinary shares in issue ('000)	68,504	68,504
Basic earnings per share (sen)	(3.20)	18.50
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The Company does not have any dilutive potential ordinary shares outstanding as at 30 September 2016. Accordingly, no diluted earnings per share are presented.

## B12. Disclosure of Realised and Unrealised Profit/loss

The breakdown of the retained profits of the Group as at 30 September 2016, into realised and unrealised profit/losses, is as follows:

	<b>12 months Ended 30 September 2016 (RM'000)</b>	<b>As at Financial Year Ended 30 September 2015 (RM'000)</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	647,367	649,547
- Unrealised	<u>(7,255)</u>	<u>(7,255)</u>
	640,112	642,292
less: Consolidation adjustments	<u>(238,402)</u>	<u>(235,839)</u>
Total retained profits as per statements of financial position	401,710	406,453
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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.