

**ZELAN BERHAD**  
**(“ZB” or “the Group”)**  
**(Company No: 27676-V)**

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE QUARTER ENDED 31 MARCH 2012**

**PART A – Explanatory Notes Pursuant to Financial Reporting Standard**

**1. Basis of Preparation**

The interim financial report of the Group has been prepared in accordance with FRS 134, “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 March 2011.

The Group recorded a net loss of RM60,405,000 and a net profit of RM14,637,000 during the quarter and the year ended 31 March 2012 respectively.

In respect of the project in Indonesia which was undertaken by the Group through a Consortium in which the Group has 70% interest, the Group achieved the commercial operation dates for both Unit 1 and Unit 2 on 10 December 2011. Accordingly, the Consortium had, on 21 February 2012, reached a negotiated sum with the owner of the project amounting to USD13.9 million (approximately RM42.0 million) and both parties agreed that any claims in relation to effective date of the contract, extension of time, variations works and liquidated damages between the owner and the Consortium will be considered settled and neither party will be liable for further claims in relation to such completion of works except for certain items which were subject to further negotiations. In addition, the Consortium is in the midst of obtaining the taking over certificate for Unit 1 and Unit 2 from the owner.

Total provisions for liquidated ascertained damages (“LAD”) and deviation lists recorded in the previous year was USD41 million (approximately RM125.1 million). As a result of the negotiated sum with the owner, the provisions in an aggregate of USD27.1 million (approximately RM82.7 million) were written back during the financial year.

The Group also anticipates recovering an estimated LAD of USD22.5 million (approximately RM68 million) from the subcontractor / supplier as a result of delay in completing their scope of work as set out in the agreement for supply for the above project. The Group is virtually certain that it is entitled to impose and receive the LAD in accordance with the provisions of the said agreement, which is supported by external legal advice.

**1. Basis of Preparation (Continued)**

In order to ensure that the Group would have sufficient cash flows in the next twelve months from the reporting date to repay the existing borrowings, complete the projects in progress, meet the working capital and covenant requirement, and the investing and financing activities, the Group may need to dispose of its available-for-sale financial assets, subject to the approval of the shareholders.

The Directors are of the view that the disposal of the available-for-sale financial assets, subject to approval of the shareholders, the continuing support from the existing bankers and the cash generated from the projects will enable the Group and the Company to carry on as a going concern. Accordingly, the financial statements of the Group and the Company are prepared on a going concern basis.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 March 2011. The new accounting standards which are effective and applicable to the Group in the current quarter did not result in a significant impact to the financial statements of the Group.

**2. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the Group's financial statements for the financial year ended 31 March 2011 was not subject to any qualification.

**3. Seasonal or Cyclical Factors**

The Group's operations were not materially affected by any seasonal or cyclical factors.

**4. Unusual Items****Current quarter**

There was no unusual item affecting assets, liabilities, equity, net income, or cash flows during the quarter under review because of their nature, size, or incidence except for the following:

- i) a recognition of a loss on fair value of RM6.3 million in the profit or loss arising from the fair value changes on the equity collar option. The equity collar financial derivative option is embedded in the term loan facility of RM285 million obtained from a financial institution.

#### 4. **Unusual Items (Continued)**

##### **Year to date**

- i) a recognition of a loss on fair value of RM32.4 million in the profit or loss arising from the fair value changes on the equity collar option.

#### 5. **Changes in Estimates of Amount Reported Previously**

There was no change in estimates of amounts reported in the prior financial period that has a material effect in the current quarter.

#### 6. **Debt and Equity Securities**

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter and the period to date ended 31 March 2012.

#### 7. **Dividends Paid**

For the current financial year-to-date, no dividend has been paid. For the preceding year's corresponding period, no dividend was paid.

#### 8. **Segmental Reporting**

Segment analysis for the current quarter is as follows:

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
<b><u>Revenue</u></b>				
Total	15,399	192	1,516	17,107
Inter-segment	(127)	-	(4)	(131)
External	<b>15,272</b>	<b>192</b>	<b>1,512</b>	<b>16,976</b>

## 8. Segmental Reporting (Continued)

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
<b>Results</b>				
Segment loss	(43,497)	(20)	(1,174)	(44,691)
Interest income	7	5	262	274
Depreciation	(118)	(22)	-	(140)
Gain on liquidation of a subsidiary	-	-	(11)	(11)
Loss on fair value of derivative	-	-	(6,315)	(6,315)
Finance costs	1,217	-	2	1,219
Share of results of associate	122	-	1	123
Loss before taxation	(42,269)	(37)	(7,235)	(49,541)
Tax expense				(10,864)
Loss for the quarter				<b>(60,405)</b>

Analysis by business segments for the financial year to date:

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
<b>Revenue</b>				
Total	207,142	931	9,364	217,437
Inter-segment	(421)	-	(17)	(438)
External	<b>206,721</b>	<b>931</b>	<b>9,347</b>	<b>216,999</b>

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
Segment profit/(loss)	58,695	547	(5,994)	53,248
Interest income	36	9	1,045	1,090
Profit from Islamic deposits	-	-	1	1
Depreciation	(865)	(93)	(3)	(961)
Gain on liquidation of a subsidiary	-	-	3,168	3,168
Loss on fair value of derivative	-	-	(32,419)	(32,419)
Finance costs	1,712	-	(3)	1,709
Share of results of associate	795	-	1	796
Profit/(loss) before taxation	60,373	463	(34,204)	26,632
Tax expense				(11,995)
Profit for the financial year				<b>14,637</b>

## 8. Segmental Reporting (Continued)

The Group's segmental report for the corresponding three-month financial quarter and the twelve months financial year to date ended 31 March 2011 are as follows:-

Segment analysis for the quarter is as follows:

	Engineering & construction RM'000	Property & development RM'000	Investment & Others RM'000	Total RM'000
<b><u>Revenue</u></b>				
Total	(54,869)	196	176	(54,497)
Inter-segment	7,402	-	(7,574)	(172)
External	<b>(47,467)</b>	<b>196</b>	<b>(7,398)</b>	<b>(54,669)</b>
<b><u>Results</u></b>				
Segment profit/(loss)	(102,151)	110	(2,404)	(104,445)
Provision for liquidated ascertained damages	(97,134)	-	-	(97,134)
Depreciation	(272)	(24)	(20)	(316)
Interest income	1,852	5	40	1,897
Profit from islamic deposits	-	-	4	4
Gain on disposal of financial assets	-	-	6,202	6,202
Finance costs	(4,335)	-	(1)	(4,336)
Share of results of associates and jointly controlled entities	97	-	6	103
Profit/ (loss) before taxation	(201,943)	91	3,827	(198,025)
Tax credit				16,113
Loss for the quarter				<b>(181,912)</b>

Analysis by business segments for the financial year to date:

	Engineering & construction RM'000	Property & development RM'000	Investment & others RM'000	Total RM'000	Discontinued operation RM'000
<b><u>Revenue</u></b>					
Total	117,541	31,343	51,687	200,571	6,476
Inter-segment	(913)	(30,000)	(37,583)	(68,496)	-
External	<b>116,628</b>	<b>1,343</b>	<b>14,104</b>	<b>132,075</b>	<b>6,476</b>

**8. Segmental Reporting (Continued)**

	Engineering & construction RM'000	Property & development RM'000	Investment & others RM'000	Total RM'000	Discontinued operation RM'000
<b>Results</b>					
Segment loss	(190,751)	(680)	(4,271)	(195,702)	(2,765)
Provision for liquidated ascertained damages	(97,134)	-	-	(97,134)	-
Allowance for doubtful Debts	-	-	-	-	(1,333)
Depreciation	(5,901)	(131)	(152)	(6,184)	(118)
Interest income	17,629	18	178	17,825	48
Profit from Islamic deposits	-	-	4	4	-
Gain on disposal of financial assets	-	-	53,866	53,866	-
Loss on disposal of associate and jointly controlled entity	(150)	-	(16)	(166)	-
Finance costs	(9,516)	-	(8)	(9,524)	(1)
Share of results of associates	(16,902)	-	6	(16,896)	-
Profit/(loss) before taxation	(302,725)	(793)	49,607	(253,911)	(4,169)
Tax credit/(expense)				696	(170)
Loss for the financial year				<b>(253,215)</b>	<b>(4,339)</b>

**9. Material Events Subsequent to the End of the Reporting Period**

There is no material event subsequent to the end of the current quarter under review that has not been reflected in the interim financial report.

**10. Changes in Composition of the Group**

There was no change in the composition of the Group during the current quarter.

**11. Changes in Contingent Liabilities or Contingent Assets**

There was no change in contingent liabilities or contingent assets since the last annual reporting date.