

ELK-DESA RESOURCES BERHAD

(Co. No. 180164-X)

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
31 MARCH 2014**

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial period ended 31 March 2014
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM	RM	RM	RM
Revenue	13,382,963	10,473,094	48,391,069	40,957,860
Other income	137,824	295,963	930,216	543,481
Cost of inventories sold	-	(1,626)	-	(36,654)
Depreciation of property, plant and equipment	(80,234)	(59,334)	(284,755)	(229,646)
Impairment allowance	(3,984,770)	(2,233,623)	(12,022,089)	(6,569,329)
Other expenses	(3,083,187)	(2,953,026)	(11,385,312)	(9,730,174)
Finance costs	(894,731)	(738,358)	(3,198,152)	(3,066,834)
Profit before listing expenses and tax	<u>5,477,865</u>	<u>4,783,090</u>	<u>22,430,977</u>	<u>21,868,704</u>
Listing expenses	-	(363,576)	-	(2,373,478)
Profit before taxation	<u>5,477,865</u>	<u>4,419,514</u>	<u>22,430,977</u>	<u>19,495,226</u>
Taxation	(1,683,170)	(1,354,346)	(6,031,033)	(5,621,772)
Profit for the financial period	<u>3,794,695</u>	<u>3,065,168</u>	<u>16,399,944</u>	<u>13,873,454</u>
Other comprehensive income	-	-	-	-
Total comprehensive income	<u><u>3,794,695</u></u>	<u><u>3,065,168</u></u>	<u><u>16,399,944</u></u>	<u><u>13,873,454</u></u>
Earnings per ordinary share - basic / diluted (sen)	<u><u>3.04</u></u>	<u><u>2.45</u></u>	<u><u>13.12</u></u>	<u><u>12.95</u></u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2013)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

(The figures have not been audited.)

	As at 31.03.2014 RM	As at 31.03.2013 RM
ASSETS		
Non-current assets		
Property, plant and equipment	1,977,608	1,374,987
Hire purchase receivables	171,498,928	128,695,119
Deferred tax assets	2,619,030	2,422,943
	176,095,566	132,493,049
Current assets		
Inventories	1,028,243	971,219
Trade receivables	170,810	214,850
Hire purchase receivables	69,877,108	62,874,863
Other receivables, deposits and prepayments	1,057,614	345,178
Current tax assets	6,401	359
Fixed deposits	3,558,385	29,523,632
Cash and bank balances	686,442	1,863,804
	76,385,003	95,793,905
Total assets	<u>252,480,569</u>	<u>228,286,954</u>
EQUITY AND LIABILITIES		
Equity attributable to owner of the company		
Share capital	125,000,000	125,000,000
Share premium	2,820,736	2,820,736
Retained earnings	39,312,159	31,037,215
Total equity	167,132,895	158,857,951
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	36,263,660	16,829,485
Term loans	3,870,000	17,038,000
	40,133,660	33,867,485
Current liabilities		
Trade payables	14,263,327	11,324,266
Other payables and accruals	1,407,412	1,184,771
Block discounting payables - secured	20,536,165	14,406,279
Term loans	6,168,000	6,168,000
Bank overdrafts - secured	1,706,289	967,720
Current tax liabilities	1,132,821	1,510,482
	45,214,014	35,561,518
Total liabilities	<u>85,347,674</u>	<u>69,429,003</u>
TOTAL EQUITY AND LIABILITIES	<u>252,480,569</u>	<u>228,286,954</u>
Net assets per share	1.34	1.27

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2013)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 31 March 2014
(The figures have not been audited.)

	Issued and fully paid ordinary shares of RM1.00 each			Distributable Retained earnings RM	Total equity RM
	Number of shares	Nominal value RM	Share premium RM		
Balance as at 1 April 2012	50,000,000	50,000,000	-	67,163,761	117,163,761
Ordinary shares issued pursuant to bonus issue	50,000,000	50,000,000	-	(50,000,000)	-
Ordinary shares issued pursuant to public issue	25,000,000	25,000,000	4,000,000	-	29,000,000
Share issue expenses	-	-	(1,179,264)	-	(1,179,264)
Total comprehensive income	-	-	-	13,873,454	13,873,454
Balance as at 31 March 2013	125,000,000	125,000,000	2,820,736	31,037,215	158,857,951
Balance as at 1 April 2013	125,000,000	125,000,000	2,820,736	31,037,215	158,857,951
Total comprehensive income	-	-	-	16,399,944	16,399,944
Dividend for financial year ended 31 March 2013	-	-	-	(8,125,000)	(8,125,000)
Balance as at 31 March 2014	125,000,000	125,000,000	2,820,736	39,312,159	167,132,895

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2013)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the financial period ended 31 March 2014

(The figures have not been audited.)

	12 months ended	
	31.03.2014	31.03.2013
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	22,430,977	19,495,226
Adjustment for non cash items :		
Depreciation of property, plant and equipment	284,755	229,646
Gain on disposal of property, plant and equipment	(12,738)	-
Property, plant and equipment Written Off	-	8,279
Net allowance made for the financial year	12,745,133	7,258,613
Interest expense	3,196,436	3,064,243
Interest income	(617,090)	(218,518)
Listing expenses	-	2,373,478
Operation profit before working capital changes	38,027,473	32,210,967
Increase in inventories	(57,024)	(71,167)
Increase in hire purchase receivables	(62,551,186)	(17,865,701)
Decrease/(Increase) in trade receivables	44,040	(98,250)
(Increase)/Decrease in other receivables, deposits and prepayments	(712,436)	587,854
Increase in trade payables	2,939,061	1,362,797
Increase in other payables and accruals	222,641	703,356
	(60,114,904)	(15,381,111)
Cash (used in)/generated from operations	(22,087,431)	16,829,856
Tax paid	(6,610,823)	(5,179,817)
Net cash (used in)/from operating activities	(28,698,254)	11,650,039
<u>Cash flows from investing activities</u>		
Repayment from former holding company	-	53,267
Purchase of property, plant and equipment	(929,639)	(223,247)
Proceeds from disposal of property, plant and equipment	55,000	71,574
Interest received	617,090	218,518
Net cash (used in)/from investing activities	(257,549)	120,112
<u>Cash flows from financing activities</u>		
Net repayment of term loans	(13,168,000)	(6,168,000)
Net drawdown of block discounting payables	25,596,288	1,898,657
Proceeds from public issue of shares	-	29,000,000
Share issue and listing expenses paid	-	(3,552,742)
Dividend paid	(8,125,000)	-
Interest paid	(3,228,663)	(3,056,931)
Net cash from financing activities	1,074,625	18,120,984
Net (decrease)/increase in cash and cash equivalents during the financial period	(27,881,178)	29,891,135
Cash and cash equivalents as at beginning of financial year	30,419,716	528,581
Cash and cash equivalents as at end of financial period	2,538,538	30,419,716

ELK-DESA RESOURCES BERHAD (Company No 180164-X)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the financial period ended 31 March 2014

(The figures have not been audited.)

	<u>12 months ended</u>	
	<u>31.03.2014</u>	<u>31.03.2013</u>
	RM	RM
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	4,244,827	31,387,436
Bank overdraft	<u>(1,706,289)</u>	<u>(967,720)</u>
	<u>2,538,538</u>	<u>30,419,716</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2013)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)

Notes to the Interim Financial Statements
for the four quarter ended 31 March 2014

A1 Accounting Policies And Basis Of Preparation

The interim financial statements have been prepared in accordance with *MFRS 134: Interim Financial Reporting* and Chapter 9 Part K of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with *IAS 34: Interim Financial Reporting*.

The interim financial statements are unaudited and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2013, which had been prepared in accordance with Malaysian Financial Reporting Standards (MFRS).

The accounting policies adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2013 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 1 April 2013.

On 1 April 2013, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title		Effective Date
Amendments to MFRS 101	<i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
MFRS 10	<i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11	<i>Joint Arrangements</i>	1 January 2013
MFRS 12	<i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13	<i>Fair Value Measurements</i>	1 January 2013
MFRS 119	<i>Employee Benefits (revised)</i>	1 January 2013
MFRS 127	<i>Separate Financial Statements</i>	1 January 2013
MFRS 128	<i>Investments in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 1	<i>Government Loans</i>	1 January 2013
Amendments to MFRS 7	<i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRSs	<i>Annual Improvements 2009 - 2011 Cycle</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
IC Interpretation 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

Application of the above accounting standards, amendments and interpretations are not expected to have a material impact on the financial statements of the Group.

A2 Seasonal and Cyclical Factors

The Group's operations has not been materially impacted by any seasonal or cyclical factors for the financial period ended 31 March 2014.

A3 Unusual Items due to Their Nature, Size or Incidence

There were no unusual items that may affect the amount stated in the interim financial statements during the financial period ended 31 March 2014.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 31 March 2014.

A5 Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuance, repurchases and repayment of debt and equity securities and share cancellations during the financial period ended 31 March 2014.

ELK-DESA RESOURCES BERHAD (Company No 180164-X)

Notes to the Interim Financial Statements
for the four quarter ended 31 March 2014

A6 Dividend Paid

The Company has paid a single-tier first and final dividend in respect of the financial year ended 31 March 2013 amounting to RM8.125 million on 3 October 2013.

A7 Segmental Reporting

No segmental analysis is prepared as the Group is primarily involved in the provision of hire purchase financing and other integrated services. Besides, all business activities are carried out in Malaysia.

A8 Subsequent Events

There was no material event subsequent to the end of the current quarter, other than the events disclosed in Section B6 (Status of Corporate Proposals Announced).

A9 Changes in the Composition of the Group

There were no changes in the composition of the Group, including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations during the financial period ended 31 March 2014.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 31 March 2014.

A11 Capital Commitments

There were no material capital commitments for the purchase of property, plant and equipment as at the end of the financial period ended 31 March 2014.

A12 Related Party Disclosures

There was no significant related party transaction during the financial period ended 31 March 2014.

ELK-DESA RESOURCES BERHAD (Company No 180164-X)

Notes to the Interim Financial Statements
for the four quarter ended 31 March 2014

B1 Review Of Performance**Current Quarter Performance (FY2014-Q4 vs FY2013-Q4)**

The Group's revenue increased by 28% from RM10.47 million to RM13.38 million due to an increase in the hire purchase portfolio. Despite higher impairment allowance for the quarter, profit before listing expenses and tax increased by 15% from RM4.78 million to RM5.48 million. Profit before tax increased by 24% from RM4.42 million to RM5.48 million due to the listing expenses incurred in the fourth quarter of the previous financial year.

Year To Date Performance (FY2014 vs FY2013)

The Group's revenue increased by 18% from RM40.96 million to RM48.39 million due to an increase in the hire purchase portfolio. Other income increased from RM0.54 million to RM0.93 million mainly due to higher fixed deposit interest. Profit before listing expenses and tax increased marginally from RM21.87 million to RM22.43 million due to increase in impairment allowance and other expenses. Profit before tax increased by 15% from RM19.50 million to RM22.43 million due to the one off RM2.37 million listing expenses incurred in the previous financial year.

B2 Comparison of Results with Preceding Quarter

The Group's profit before tax for the current quarter of RM5.48 million was slightly higher as compared to RM5.31 million of the immediate preceding quarter mainly due to the increase of Group's revenue for the current quarter.

B3 Prospects and Outlook

The domestic economy will continue to experience inflationary pressures on prices of goods and cost of living. The impact of the impending Goods and Services Tax ("GST") on domestic consumers is uncertain. As a consequence, the Group's profit may be affected due to slower recovery of its hire purchase receivables which results in higher impairment allowances. Nevertheless, the Group will continue to place strong emphasis on close monitoring and efficient collection of the hire purchase receivables as well as the follow-up mechanisms, to minimise this impact.

Despite the challenging domestic environment, the Group opined that the Malaysian hire purchase market for used motor vehicles would continue growing albeit at a moderate pace. The Group will continue to grow its hire purchase portfolio assertively without compromising the hire purchase assets quality.

B4 Profit Forecasts

The Group did not issue any profit forecasts for the period under review.

B5 Taxation

Tax charge for the quarter and financial period ended 31 March 2014 are set out below:

	3 months ended 31.3.2014	12 months ended 31.3.2014
	RM	RM
(a) Income Tax	1,879,257	6,227,120
(b) Deferred Taxation	(196,087)	(196,087)
	<u>1,683,170</u>	<u>6,031,033</u>

The effective tax rate of the Group for the financial period ended 31 March 2014 were higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes.

ELK-DESA RESOURCES BERHAD (Company No 180164-X)

Notes to the Interim Financial Statements
for the four quarter ended 31 March 2014

B6 Status of Corporate Proposals Announced

On 16 December 2013, on behalf of the Board of Directors of the Company, MIDF Amanah Investment Bank Bhd ("*MIDF*") announced that the Company proposed to undertake the proposed renounceable rights issue of irredeemable convertible unsecured loan stock ("*ICULS*") of up to RM100 million in nominal value with coupon rate of 3.25% per annum on the nominal value of the ICULS at 100% of the nominal value of RM1.00 each for a tenure of eight (8) years ("*Rights ICULS*") on the basis of four (4) Rights ICULS of RM1.00 each in nominal value for every five (5) existing ordinary shares of RM1.00 each in the Company held on an entitlement date to be determined later ("*Proposed Rights Issue of ICULS*").

The above corporate exercise was completed following the admission of RM100 million nominal value of the ICULS to the Official List and the listing of and quotation for the same on the Main Market of Bursa Securities on 18 April 2014.

For details of the above corporate exercise, please refer to the Company's announcement on both the Company and Bursa Malaysia website.

As at 30 April 2014, the status of utilisation of proceeds is as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Timeframe for Utilisation	Balance	Remarks
	RM	RM		RM	
(a) Expansion of hire purchase business	80,700,000	5,180,410	Within 12 months	75,519,590	The funds have not been fully utilised.
(b) Repayment of existing bank borrowings	18,000,000	1,255,705	Within 12 months	16,744,295	
(c) Expenses relating to the Rights Issue of ICULS	1,300,000	1,280,203	Within 6 months	19,797	
	100,000,000	7,716,318		92,283,682	

Other than disclosed above, there are no other corporate proposals for the Group.

B7 Group Borrowings

All borrowings as at 31 March 2014 are secured except for one of the term loans amounting to RM3.5 million. The Group does not have any borrowings that are denominated in foreign currency.

		As at 31.3.2014 RM	As at 31.03.2013 RM
Block Discounting Payables	- within 1 year	20,536,165	14,406,279
	- later than 1 year	36,263,660	16,829,485
		56,799,825	31,235,764
Term Loans	- within 1 year	6,168,000	6,168,000
	- later than 1 year	3,870,000	17,038,000
		10,038,000	23,206,000
Bank Overdraft	- within 1 year	1,706,289	967,720
Total Borrowings		<u>68,544,114</u>	<u>55,409,484</u>

B8 Changes in Material Litigation

There was no material litigation against the Group as at the reporting date.

B9 Dividend

The Board of Directors recommends a single tier first and final dividend of 7.50 sen per share amounting to RM9.375 million in respect of the current financial year ended 31 March 2014.

The proposed first and final dividend is subject to the approval of members at the forthcoming Annual General Meeting. The date of the dividend entitlement and payment will be determined at a later date.

ELK-DESA RESOURCES BERHAD (Company No 180164-X)

Notes to the Interim Financial Statements
for the four quarter ended 31 March 2014

B10 Earnings Per Share

Basic Earnings Per Share is calculated by dividing the Group's net profit by the number of ordinary shares in issue during the financial year.

	Quarter ended 31.3.2014	Quarter ended 31.3.2013	Year to date ended 31.3.2014	Year to date ended 31.3.2013
Profit after taxation (RM)	3,794,695	3,065,168	16,399,944	13,873,454
Weighted average number of ordinary shares (units)	125,000,000	125,000,000	125,000,000	107,123,288
Basic earnings per ordinary share (sen)	3.04	2.45	13.12	12.95

Weighted average number of ordinary shares is based on the number of shares that has been adjusted retrospectively following bonus issue made on 3 October 2012.

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2013 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended 31.3.2014 RM	12 months ended 31.3.2014 RM
The comprehensive income is arrived at after charging/(crediting) the following:		
Interest income	(61,852)	(617,090)
Interest expense	894,703	3,196,436
Inventories written down	-	-
Reversal of inventories previously written down	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	NA	NA
Gain or loss on derivatives	NA	NA
Exceptional items	NA	NA

B13 Retained Earnings

The following analysis of realised and unrealised retained earnings is prepared in accordance with the guidance issued by the Malaysian Institute of Accountants in the prescribed format by Bursa Malaysia Securities Berhad.

	As at 31.3.2014 RM	As at 31.03.2013 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	71,596,185	63,528,126
- Unrealised	2,619,030	2,422,943
	<u>74,215,215</u>	<u>65,951,069</u>
Less: Consolidation adjustments	(34,903,056)	(34,913,854)
Total retained earnings as per consolidation accounts	<u><u>39,312,159</u></u>	<u><u>31,037,215</u></u>