

ELK-DESA RESOURCES BERHAD

(Co. No. 180164-X)

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
30 JUNE 2014**

ELK-DESA RESOURCES BERHAD (Company No 180164-X)**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the financial period ended 30 June 2014

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM	RM	RM	RM
Revenue	13,887,542	10,819,086	13,887,542	10,819,086
Other income	724,270	349,110	724,270	349,110
Depreciation of property, plant and equipment	(78,540)	(63,889)	(78,540)	(63,889)
Impairment allowance	(3,580,151)	(1,620,993)	(3,580,151)	(1,620,993)
Other expenses	(3,431,114)	(2,506,128)	(3,431,114)	(2,506,128)
Finance costs	(1,219,385)	(747,272)	(1,219,385)	(747,272)
Profit before taxation	<u>6,302,622</u>	<u>6,229,914</u>	<u>6,302,622</u>	<u>6,229,914</u>
Taxation	(1,602,640)	(1,571,074)	(1,602,640)	(1,571,074)
Profit for the financial period	<u>4,699,982</u>	<u>4,658,840</u>	<u>4,699,982</u>	<u>4,658,840</u>
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	<u><u>4,699,982</u></u>	<u><u>4,658,840</u></u>	<u><u>4,699,982</u></u>	<u><u>4,658,840</u></u>
Earnings per ordinary share - basic (sen)	<u>3.76</u>	<u>3.73</u>	<u>3.76</u>	<u>3.73</u>
Earnings per ordinary share - diluted (sen)	<u>2.65</u>	<u>3.73</u>	<u>2.65</u>	<u>3.73</u>

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2014)

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

As at 30 June 2014

(The figures have not been audited.)

	As at 30.06.2014 RM	As at 31.03.2014 RM
ASSETS		
Non-current assets		
Property, plant and equipment	1,886,455	1,977,608
Hire purchase receivables	183,757,771	171,498,928
Deferred tax assets	7,387,345	2,619,030
	193,031,571	176,095,566
Current assets		
Inventories	1,346,072	1,028,243
Trade receivables	338,705	170,810
Hire purchase receivables	72,375,182	69,877,108
Other receivables, deposits and prepayments	342,602	1,057,614
Current tax assets	1,725	6,401
Fixed deposits	78,751,234	3,558,385
Cash and bank balances	5,700,948	686,442
	158,856,468	76,385,003
Total assets	<u>351,888,039</u>	<u>252,480,569</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	125,000,000	125,000,000
Share premium	2,820,736	2,820,736
Retained earnings	44,012,141	39,312,159
ICULS - equity component	83,283,772	-
Total equity	255,116,649	167,132,895
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	31,174,941	36,263,660
Term loans	2,328,000	3,870,000
ICULS - liability component	19,867,977	-
	53,370,918	40,133,660
Current liabilities		
Trade payables	14,898,290	14,263,327
Other payables and accruals	2,287,990	1,407,412
Block discounting payables - secured	18,997,933	20,536,165
Term loans	6,168,000	6,168,000
Bank overdrafts - secured	-	1,706,289
Current tax liabilities	1,048,259	1,132,821
	43,400,472	45,214,014
Total liabilities	<u>96,771,390</u>	<u>85,347,674</u>
TOTAL EQUITY AND LIABILITIES	<u>351,888,039</u>	<u>252,480,569</u>
Net assets per share	2.04	1.34

(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 2014)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 30 June 2014
(The figures have not been audited.)

	Share Capital RM	Share Premium RM	Retained Earnings RM	ICULS - equity component RM	Total Equity RM
Balance as at 1 April 2013	125,000,000	2,820,736	31,037,215	-	158,857,951
Total comprehensive income	-	-	4,658,840	-	4,658,840
Balance as at 30 June 2013	125,000,000	2,820,736	35,696,055	-	163,516,791
Balance as at 1 April 2014	125,000,000	2,820,736	39,312,159	-	167,132,895
Total comprehensive income	-	-	4,699,982	-	4,699,982
Issuance of ICULS	-	-	-	83,283,772	83,283,772
Balance as at 30 June 2014	125,000,000	2,820,736	44,012,141	83,283,772	255,116,649

(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 2014)

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

For the financial period ended 30 June 2014

(The figures have not been audited.)

	3 months ended	
	30.06.2014	30.06.2013
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	6,302,622	6,229,914
Adjustment for :		
Depreciation of property, plant and equipment	78,540	63,889
Gain on disposal of property, plant and equipment	5,713	-
Property, plant and equipment written off	-	-
Net allowance made for the financial period	3,846,446	1,908,566
Interest expense	1,218,723	746,625
Interest income	(649,241)	(274,676)
Operation profit before working capital changes	10,802,803	8,674,318
(Increase)/Decrease in inventories	(317,829)	2,721
Increase in hire purchase receivables	(18,603,363)	(9,217,899)
(Increase)/Decrease in trade receivables	(167,895)	42,400
Decrease in other receivables, deposits and prepayments	715,012	83,767
Increase/(Decrease) in trade payables	634,963	(416,624)
Increase/(Decrease) in other payables and accruals	203,495	(10,798)
	(17,535,617)	(9,516,433)
Cash used in operations	(6,732,814)	(842,115)
Tax paid	(1,595,588)	(1,542,950)
Net cash used in operating activities	(8,328,402)	(2,385,065)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(15,600)	(254,918)
Proceeds from disposal of property, plant and equipment	22,500	-
Interest received	649,241	274,676
Net cash from investing activities	656,141	19,758
<u>Cash flows from financing activities</u>		
Net repayment of term loans	(1,542,000)	(5,542,000)
Net drawdown of block discounting payables	(6,661,489)	4,443,859
Proceeds from issuance of ICULS	100,000,000	-
ICULS expenses paid	(1,341,264)	-
Interest paid	(869,342)	(748,808)
Net cash from/(used in) financing activities	89,585,905	(1,846,949)
Net increase/(decrease) in cash and cash equivalents during the financial period	81,913,644	(4,212,256)
Cash and cash equivalents as at beginning of financial year	2,538,538	30,419,716
Cash and cash equivalents as at end of financial period	84,452,182	26,207,460

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial period ended 30 June 2014

(The figures have not been audited.)

	3 months ended	
	30.06.2014	30.06.2013
	RM	RM
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	84,452,182	27,433,329
Bank overdraft	-	(1,225,869)
	<u>84,452,182</u>	<u>26,207,460</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 2014)

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

Notes to the Interim Financial Statements
for the first quarter ended 30 June 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 2014, 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 2014 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 1 April 2014.

On 1 April 2014, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title		Effective Date
Amendments to MFRS 10	<i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12	<i>Disclosure of Interest in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127	<i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132	<i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21	<i>Levies</i>	1 January 2014

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 30 June 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 30 June 2014.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 30 June 2014.

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

Notes to the Interim Financial Statements
for the first quarter ended 30 June 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 30 June 2014, other than the following :

On 15 April 2014, the Company had issued 100,000,000 Irredeemable Convertible Unsecured Loan Stock ('ICULS') of RM100,000,000 in nominal value with coupon rate of 3.25% per annum for a tenure of eight (8) years.

A6 Dividend Paid

There was no dividend paid during the three months ended 30 June 2014.

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.

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 30 June 2014.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 30 June 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 30 June 2014.

A12 Related Party Disclosures

There was no significant related party transaction during the financial period ended 30 June 2014.

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

Notes to the Interim Financial Statements
for the first quarter ended 30 June 2014

B1 Review Of Performance

Current Quarter Performance (FY2015-Q1 vs FY2014-Q1)

The Group's revenue increased by 28% from RM10.82 million to RM13.89 million due to an increase in the hire purchase portfolio. Other income increased from RM349,110 to RM724,270 mainly due to higher fixed deposit interest. The effects of prolonged delay in installment payments by the hirers, together with a general decline in used car prices and higher cost of debts recovery, had resulted in higher impairment allowance. Despite the higher impairment allowance, the profit before tax increased marginally from RM6.23 million to RM6.30 million.

B2 Comparison of Results with Preceding Quarter

The Group's profit before tax for the current quarter of RM6.30 million was 14.8% higher as compared to RM5.49 million of the immediate preceding quarter mainly due to the increase of the Group's revenue and other income coupled with a decrease in impairment allowance for the current quarter.

B3 Prospects and Outlook

The impact of the increased prices and cost of living, and the impending Goods and Services Tax ("GST") on domestic consumers remain as a cause for concern. As a consequence, the Group's profit will be affected by the prolonged delay in installment payments by the hirers which will attribute to higher impairment allowances.

The Group will maintain its strong emphasis on close monitoring and efficient collection of the hire purchase receivables to minimise the impact of deteriorating credit risk. In anticipation of a more challenging operating environment ahead, the Group has further tighten its hire purchase disbursement policy and will grow its hire purchase portfolio at a slower pace.

Nevertheless, the Board remains cautiously optimistic on the Group's performance for the current financial year.

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 30 June 2014 are set out below:

	3 months ended 30.6.2014
	RM
(a) Income Tax	1,515,703
(b) Deferred Taxation	86,937
	<u>1,602,640</u>

The effective tax rate of the Group for the financial period ended 30 June 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 first quarter ended 30 June 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 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.

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 June 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	25,417,378	Within 12 months	55,282,622	The funds have not been fully utilised.
(b) Repayment of existing bank borrowings	18,000,000	6,185,313	Within 12 months	11,814,687	
(c) Expenses relating to the Rights Issue of <i>ICULS</i>	1,300,000	1,341,264	Within 6 months	(41,264)	
	100,000,000	32,943,955		67,056,045	

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

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

Notes to the Interim Financial Statements
for the first quarter ended 30 June 2014

B7 Group Borrowings & Debt Securities

All borrowings and debt securities as at 30 June 2014 are secured except for the ICULS - liability component and one of the term loans amounting to RM3.0 million. The Group does not have any borrowings or debt securities that are denominated in foreign currency.

		As at 30.6.2014 RM	As at 31.3.2014 RM
Borrowings			
Block Discounting Payables	- within 1 year	18,997,933	20,536,165
	- later than 1 year	31,174,941	36,263,660
		50,172,874	56,799,825
Term Loans	- within 1 year	6,168,000	6,168,000
	- later than 1 year	2,328,000	3,870,000
		8,496,000	10,038,000
Bank Overdraft	- within 1 year	-	1,706,289
Total Borrowings		<u>58,668,874</u>	<u>68,544,114</u>
Debt Securities			
ICULS - liability component	- later than 1 year	<u>19,867,977</u>	<u>-</u>

B8 Changes in Material Litigation

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

B9 Dividend

There was no dividend proposed in the current quarter and the previous corresponding quarter.

B10 Earnings Per Share

Basic earnings per share is calculated by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the financial year.

	Quarter ended 30.6.2014	Quarter ended 30.6.2013	Year to date ended 30.6.2014	Year to date ended 30.6.2013
Profit after taxation (RM)	4,699,982	4,658,840	4,699,982	4,658,840
Weighted average number of ordinary shares (units)	125,000,000	125,000,000	125,000,000	125,000,000
Basic earnings per ordinary share (sen)	3.76	3.73	3.76	3.73

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

Notes to the Interim Financial Statements
for the first quarter ended 30 June 2014

Diluted earnings per share is calculated by dividing the Group's net profit by the weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares.

	Quarter ended 30.6.2014	Quarter ended 30.6.2013	Year to date ended 30.6.2014	Year to date ended 30.6.2013
Profit after taxation (RM)	4,699,982	4,658,840	4,699,982	4,658,840
Interest expense on ICULS, net of tax (RM)	401,782	-	401,782	-
Adjusted profit after tax (RM)	5,101,764	4,658,840	5,101,764	4,658,840
Weighted average number of ordinary shares (units)	125,000,000	125,000,000	125,000,000	125,000,000
Adjustment for potential dilutive shares (units)	67,692,308	-	67,692,308	-
Adjusted weighted average number of ordinary shares (units)	192,692,308	125,000,000	192,692,308	125,000,000
Diluted earnings per ordinary share (sen)	2.65	3.73	2.65	3.73

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2014 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended 30.6.2014
	RM
The comprehensive income is arrived at after charging/(crediting) the following:	
Interest income	(649,241)
Interest expense	1,218,723
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
Gain or loss on derivatives	NA
Exceptional items	NA

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

Notes to the Interim Financial Statements
for the first quarter ended 30 June 2014

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 30.6.2014 RM	As at 31.3.2014 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	76,266,515	71,596,185
- Unrealised	2,619,030	2,619,030
	<u>78,885,545</u>	<u>74,215,215</u>
Less: Consolidation adjustments	(34,873,404)	(34,903,056)
Total retained earnings as per consolidation accounts	<u><u>44,012,141</u></u>	<u><u>39,312,159</u></u>