

# **ELK-DESA RESOURCES BERHAD**

(Co. No. 180164-X)

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

(The figures have not been audited.)

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>	<b>30.09.2014</b>	<b>30.09.2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Revenue	14,885,614	11,862,866	28,773,155	22,681,952
Other income	773,128	255,706	1,497,397	604,816
Depreciation of property, plant and equipment	(80,351)	(67,449)	(158,891)	(131,338)
Impairment allowance	(5,515,752)	(3,183,407)	(9,095,903)	(4,804,400)
Other expenses	(3,415,107)	(2,707,385)	(6,846,221)	(5,213,513)
Finance costs	(1,104,602)	(749,349)	(2,323,987)	(1,496,621)
Profit before taxation	<u>5,542,930</u>	<u>5,410,982</u>	<u>11,845,550</u>	<u>11,640,896</u>
Taxation	(1,440,492)	(1,402,136)	(3,043,132)	(2,973,210)
Profit for the financial period	<u>4,102,438</u>	<u>4,008,846</u>	<u>8,802,418</u>	<u>8,667,686</u>
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	<u>4,102,438</u>	<u>4,008,846</u>	<u>8,802,418</u>	<u>8,667,686</u>
Earnings per ordinary share - basic (sen)	<u>3.28</u>	<u>3.21</u>	<u>7.04</u>	<u>6.93</u>
Earnings per ordinary share - diluted (sen)	<u>2.21</u>	<u>3.21</u>	<u>4.84</u>	<u>6.93</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 September 2014**

(The figures have not been audited.)

	<b>As at 30.09.2014 RM</b>	<b>As at 31.03.2014 RM</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,830,404	1,977,608
Hire purchase receivables	191,705,149	171,498,928
Deferred tax assets	7,266,692	2,619,030
	200,802,245	176,095,566
<b>Current assets</b>		
Inventories	1,440,440	1,028,243
Trade receivables	156,524	170,810
Hire purchase receivables	74,386,603	69,877,108
Other receivables, deposits and prepayments	449,766	1,057,614
Current tax assets	2,572	6,401
Fixed deposits	57,494,698	3,558,385
Cash and bank balances	2,856,065	686,442
	136,786,668	76,385,003
Total assets	<u>337,588,913</u>	<u>252,480,569</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	125,000,000	125,000,000
Share premium	2,820,736	2,820,736
Retained earnings	38,739,554	39,312,159
ICULS - equity component	83,283,772	-
Total equity	249,844,062	167,132,895
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Block discounting payables - secured	26,315,975	36,263,660
Term loans	786,000	3,870,000
ICULS - liability component	19,365,260	-
	46,467,235	40,133,660
<b>Current liabilities</b>		
Trade payables	12,998,326	14,263,327
Other payables and accruals	3,026,050	1,407,412
Block discounting payables - secured	17,964,727	20,536,165
Term loans	6,168,000	6,168,000
Bank overdrafts - secured	-	1,706,289
Current tax liabilities	1,120,513	1,132,821
	41,277,616	45,214,014
Total liabilities	<u>87,744,851</u>	<u>85,347,674</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>337,588,913</u>	<u>252,480,569</u>
Net assets per share	2.00	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 September 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	-	-	8,667,686	-	8,667,686
Dividend for financial year ended 31 March 2013			(8,125,000)	-	(8,125,000)
<b>Balance as at 30 September 2013</b>	<b>125,000,000</b>	<b>2,820,736</b>	<b>31,579,901</b>	<b>-</b>	<b>159,400,637</b>
Balance as at 1 April 2014	125,000,000	2,820,736	39,312,159	-	167,132,895
Total comprehensive income	-	-	8,802,418	-	8,802,418
Issuance of ICULS	-	-	-	83,283,772	83,283,772
Dividend for financial year ended 31 March 2014	-	-	(9,375,023)	-	(9,375,023)
<b>Balance as at 30 September 2014</b>	<b>125,000,000</b>	<b>2,820,736</b>	<b>38,739,554</b>	<b>83,283,772</b>	<b>249,844,062</b>

*(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 September 2014**  
(The figures have not been audited.)

	<b>6 months ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>
	<b>RM</b>	<b>RM</b>
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation	11,845,550	11,640,896
Adjustment for :		
Depreciation of property, plant and equipment	158,891	131,338
Gain on disposal of property, plant and equipment	5,713	-
Net allowance made for the financial period	9,618,090	4,804,400
Interest expense	2,322,937	1,495,799
Interest income	(1,279,218)	(463,157)
Operation profit before working capital changes	<u>22,671,963</u>	<u>17,609,276</u>
Increase in inventories	(412,197)	(26,519)
Increase in hire purchase receivables	(34,333,806)	(28,110,611)
Decrease in trade receivables	14,286	114,500
Decrease in other receivables, deposits and prepayments	607,848	90,943
(Decrease)/Increase in trade payables	(1,265,001)	2,150,594
Increase in other payables and accruals	129,055	97,918
	(35,259,815)	(25,683,176)
Cash used in operations	(12,587,852)	(8,073,900)
Tax paid	(2,844,020)	(2,601,125)
<b>Net cash used in operating activities</b>	<b>(15,431,872)</b>	<b>(10,675,025)</b>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(39,900)	(275,004)
Proceeds from disposal of property, plant and equipment	22,500	-
Interest received	1,279,218	463,157
<b>Net cash from investing activities</b>	<b>1,261,818</b>	<b>188,153</b>
<b><u>Cash flows from financing activities</u></b>		
Net repayment of term loans	(3,084,000)	(7,084,000)
Net drawdown of block discounting payables	(12,563,353)	8,055,863
Proceeds from issuance of ICULS	100,000,000	-
ICULS expenses paid	(1,341,264)	-
Interest paid	(1,654,081)	(1,502,094)
Dividend paid	(9,375,023)	-
<b>Net cash from/(used in) financing activities</b>	<b>71,982,279</b>	<b>(530,231)</b>
<b>Net increase/(decrease) in cash and cash equivalents during the financial period</b>	<b>57,812,225</b>	<b>(11,017,103)</b>
Cash and cash equivalents as at beginning of financial year	2,538,538	30,419,716
<b>Cash and cash equivalents as at end of financial period</b>	<b><u>60,350,763</u></b>	<b><u>19,402,613</u></b>

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the financial period ended 30 September 2014**  
(The figures have not been audited.)

	<b>6 months ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>
	<b>RM</b>	<b>RM</b>
<b><u>Composition of cash and cash equivalents</u></b>		
Deposits, cash and bank balances	60,350,763	19,676,196
Bank overdraft	-	(273,583)
	<b><u>60,350,763</u></b>	<b><u>19,402,613</u></b>

*(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 September 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.

<b>Title</b>		<b>Effective Date</b>
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
Amendments to MFRS 119	<i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs	<i>Annual Improvements 2010 - 2012 Cycle</i>	1 July 2014
Amendments to MFRSs	<i>Annual Improvements 2011 - 2013 Cycle</i>	1 July 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 September 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 September 2014.

**A4 Change in Estimates**

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

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

Notes to the Interim Financial Statements  
for the first quarter ended 30 September 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 September 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**

The Company has paid a single-tier final dividend of 7.5 sen per share for the financial year ended 31 March 2014 amounting to RM9.38 million on 18 September 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 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 September 2014.

**A10 Changes in Contingent Liabilities and Contingent Assets**

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

**A12 Related Party Disclosures**

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



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

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

**B1 Review Of Performance****Current Quarter Performance (FY2015-Q2 vs FY2014-Q2)**

The Group's revenue increased by 25% from RM11.86 million to RM14.89 million due to an increase in the hire purchase portfolio. Other income increased from RM255,706 to RM773,128 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 RM5.41 million to RM5.54 million.

**Year To Date Performance (FY2015 vs FY2014)**

The Group's revenue increased by 27% from RM22.68 million to RM28.77 million due to an increase in the hire purchase portfolio. Other income increased from RM0.60 million to RM1.50 million mainly due to higher fixed deposit interest. This was offset by an increase in impairment allowance and other expenses resulting in a slight increase of the profit before tax from RM11.64 million to RM11.85 million.

**B2 Comparison of Results with Preceding Quarter**

The Group's profit before tax for the current quarter of RM5.54 million was lower as compared to RM6.30 million of the immediate preceding quarter mainly due to higher impairment allowance on hire purchase receivables 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 September 2014 are set out below:

	<b>3 months ended 30.9.2014</b>	<b>6 months ended 30.9.2014</b>
	<b>RM</b>	<b>RM</b>
(a) Income Tax	1,319,839	2,835,542
(b) Deferred Taxation	120,653	207,590
	<u>1,440,492</u>	<u>3,043,132</u>

The effective tax rate of the Group for the financial period ended 30 September 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 September 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 September 2014, the status of utilisation of proceeds is as follows:

<b>Purpose</b>	<b>Proposed Utilisation</b>	<b>Actual Utilisation</b>	<b>Timeframe for Utilisation</b>	<b>Balance</b>	<b>Remarks</b>
	<b>RM</b>	<b>RM</b>		<b>RM</b>	
(a) Expansion of hire purchase business	80,700,000	56,902,091	Within 12 months	23,797,909	The funds have not been fully utilised.
(b) Repayment of existing bank borrowings	18,000,000	12,739,414	Within 12 months	5,260,586	
(c) Expenses relating to the Rights Issue of ICULS	1,300,000	1,341,264	Within 6 months	(41,264)	
	<b>100,000,000</b>	<b>70,982,769</b>		<b>29,017,231</b>	

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 September 2014

**B7 Group Borrowings & Debt Securities**

All borrowings and debt securities as at 30 September 2014 are secured except for the ICULS - liability component and one of the term loans amounting to RM2.5 million. The Group does not have any borrowings or debt securities that are denominated in foreign currency.

		<b>As at 31.9.2014 RM</b>	<b>As at 31.3.2014 RM</b>
<b>Borrowings</b>			
Block Discounting Payables	- within 1 year	17,964,727	20,536,165
	- later than 1 year	26,315,975	36,263,660
		44,280,702	56,799,825
Term Loans	- within 1 year	6,168,000	6,168,000
	- later than 1 year	786,000	3,870,000
		6,954,000	10,038,000
Bank Overdraft	- within 1 year	-	1,706,289
Total Borrowings		51,234,702	68,544,114
<b>Debt Securities</b>			
ICULS - liability component	- later than 1 year	19,365,260	-

**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.

	<b>Quarter ended 30.9.2014</b>	<b>Quarter ended 30.9.2013</b>	<b>Year to date ended 30.9.2014</b>	<b>Year to date ended 30.9.2013</b>
Profit after taxation (RM)	4,102,438	4,008,846	8,802,418	8,667,686
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)	3.28	3.21	7.04	6.93

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

Notes to the Interim Financial Statements  
for the first quarter ended 30 September 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 30.9.2014	Quarter ended 30.9.2013	Year to date ended 30.9.2014	Year to date ended 30.9.2013
Profit after taxation (RM)	4,102,438	4,008,846	8,802,418	8,667,686
Interest expense on ICULS, net of tax (RM)	430,435	-	832,216	-
Adjusted profit after tax (RM)	4,532,873	4,008,846	9,634,634	8,667,686
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)	80,000,000	-	73,879,781	-
Adjusted weighted average number of ordinary shares (units)	205,000,000	125,000,000	198,879,781	125,000,000
Diluted earnings per ordinary share (sen)	2.21	3.21	4.84	6.93

**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 30.9.2014	6 months ended 30.9.2014
	RM	RM
The comprehensive income is arrived at after charging/(crediting) the following:		
Interest income	(629,977)	(1,279,218)
Interest expense	1,104,214	2,322,937
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

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

Notes to the Interim Financial Statements  
for the first quarter ended 30 September 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.

	<b>As at 30.9.2014 RM</b>	<b>As at 31.3.2014 RM</b>
Total retained earnings of the Company and its subsidiaries		
- Realised	70,995,734	71,596,185
- Unrealised	<u>2,619,030</u>	<u>2,619,030</u>
	73,614,764	74,215,215
Less: Consolidation adjustments	<u>(34,875,210)</u>	<u>(34,903,056)</u>
Total retained earnings as per consolidation accounts	<u><u>38,739,554</u></u>	<u><u>39,312,159</u></u>