

ELK-DESA RESOURCES BERHAD

(Co. No. 180164-X)

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
31 MARCH 2015**

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

For the financial period ended 31 March 2015

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM	RM	RM	RM
Revenue	14,487,279	13,382,963	57,614,579	48,391,069
Other income	581,986	137,824	2,678,949	930,216
Depreciation of property, plant and equipment	(88,847)	(80,234)	(332,391)	(284,755)
Impairment allowance	(3,503,918)	(3,984,770)	(16,744,125)	(12,022,089)
Other expenses	(3,433,427)	(3,083,187)	(13,548,223)	(11,385,312)
Finance costs	(876,219)	(894,731)	(4,183,377)	(3,198,152)
Profit before taxation	<u>7,166,854</u>	<u>5,477,865</u>	<u>25,485,412</u>	<u>22,430,977</u>
Taxation	(2,016,195)	(1,683,170)	(6,689,021)	(6,031,033)
Profit for the financial period	<u>5,150,659</u>	<u>3,794,695</u>	<u>18,796,391</u>	<u>16,399,944</u>
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	<u>5,150,659</u>	<u>3,794,695</u>	<u>18,796,391</u>	<u>16,399,944</u>
Earnings per ordinary share - basic (sen)	<u>4.12</u>	<u>3.04</u>	<u>15.04</u>	<u>13.12</u>
Earnings per ordinary share - diluted (sen)	<u>2.72</u>	<u>3.04</u>	<u>10.14</u>	<u>13.12</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 31 March 2015

(The figures have not been audited.)

	As at 31.03.2015 RM	As at 31.03.2014 RM
ASSETS		
Non-current assets		
Property, plant and equipment	5,799,451	1,977,608
Hire purchase receivables	192,426,059	171,498,928
Deferred tax assets	6,924,265	2,619,030
	205,149,775	176,095,566
Current assets		
Inventories	934,707	1,028,243
Trade receivables	104,850	170,810
Hire purchase receivables	76,460,430	69,877,108
Other receivables, deposits and prepayments	264,319	1,057,614
Current tax assets	-	6,401
Fixed deposits	52,143,322	3,558,385
Cash and bank balances	500,272	686,442
	130,407,900	76,385,003
Total assets	<u>335,557,675</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	48,733,527	39,312,159
ICULS - equity component	83,283,772	-
Treasury shares	(101,733)	-
Total equity	259,736,302	167,132,895
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	17,143,251	36,263,660
Term loans	-	3,870,000
ICULS - liability component	18,336,712	-
	35,479,963	40,133,660
Current liabilities		
Trade payables	12,938,634	14,263,327
Other payables and accruals	4,374,429	1,407,412
Block discounting payables - secured	16,032,879	20,536,165
Term loans	3,870,000	6,168,000
Bank overdrafts - secured	1,670,530	1,706,289
Current tax liabilities	1,454,938	1,132,821
	40,341,410	45,214,014
Total liabilities	<u>75,821,373</u>	<u>85,347,674</u>
TOTAL EQUITY AND LIABILITIES	<u>335,557,675</u>	<u>252,480,569</u>
Net assets per share	2.08	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 31 March 2015
(The figures have not been audited.)

	Share Capital RM	Share Premium RM	Retained Earnings RM	Treasury shares	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	-	-	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	2,820,736	39,312,159	-	-	167,132,895
Balance as at 1 April 2014	125,000,000	2,820,736	39,312,159	-	-	167,132,895
Total comprehensive income	-	-	18,796,391	-	-	18,796,391
Issuance of ICULS	-	-	-	-	83,283,772	83,283,772
Dividend for financial year ended 31 March 2014	-	-	(9,375,023)	-	-	(9,375,023)
Purchase of treasury shares	-	-	-	(101,733)	-	(101,733)
Balance as at 31 March 2015	125,000,000	2,820,736	48,733,527	(101,733)	83,283,772	259,736,302

(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 31 March 2015

(The figures have not been audited.)

	12 months ended	
	31.03.2015	31.03.2014
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	25,485,412	22,430,977
Adjustment for :		
Depreciation of property, plant and equipment	332,391	284,755
Gain on disposal of property, plant and equipment	5,713	(12,738)
Property, plant and equipment written off	11,137	-
Net allowance made for the financial period	17,738,222	12,745,133
Interest expense	4,181,189	3,196,436
Interest income	(2,284,001)	(617,090)
Operation profit before working capital changes	45,470,063	38,027,473
Decrease/(Increase) in inventories	93,536	(57,024)
Increase in hire purchase receivables	(45,248,675)	(62,551,186)
Decrease in trade receivables	65,960	44,040
Decrease/(Increase) in other receivables, deposits and prepayments	793,295	(712,436)
(Decrease)/Increase in trade payables	(1,324,693)	2,939,061
(Decrease)/Increase in other payables and accruals	(147,567)	222,641
	(45,768,144)	(60,114,904)
Cash used in operations	(298,081)	(22,087,431)
Tax paid	(5,810,483)	(6,610,823)
Net cash used in operating activities	(6,108,564)	(28,698,254)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(4,193,585)	(929,639)
Proceeds from disposal of property, plant and equipment	22,500	55,000
Interest received	2,284,001	617,090
Net cash used in investing activities	(1,887,084)	(257,549)
<u>Cash flows from financing activities</u>		
Net repayment of term loans	(6,168,000)	(13,168,000)
Net (repayment)/drawdown of block discounting payables	(23,673,650)	25,596,288
Proceeds from issuance of ICULS	100,000,000	-
ICULS expenses paid	(1,341,264)	-
Interest paid	(2,910,156)	(3,228,663)
Dividend paid	(9,375,023)	(8,125,000)
Purchase of treasury shares	(101,733)	-
Net cash from financing activities	56,430,174	1,074,625
Net increase/(decrease) in cash and cash equivalents during the financial period	48,434,526	(27,881,178)
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	50,973,064	2,538,538

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial period ended 31 March 2015

(The figures have not been audited.)

	12 months ended	
	31.03.2015	31.03.2014
	RM	RM
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	52,643,594	4,244,827
Bank overdraft	<u>(1,670,530)</u>	<u>(1,706,289)</u>
	<u>50,973,064</u>	<u>2,538,538</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 fourth quarter ended 31 March 2015

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
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 31 March 2015.

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 2015.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 31 March 2015.

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2015

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 2015, 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.

During the quarter under review, the Company had acquired 70,000 of its issued ordinary shares for a total consideration of RM101,733 from the open market at an average price of RM1.45 per share. The share repurchased were held as treasury shares. As at the end of the financial year, the number of treasury shares held was 70,000 shares.

A6 Dividend Paid

The Company had 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 31 March 2015 except for the following :

a) During the quarter under review, ELK-Desa Marketing Sdn Bhd, an indirect wholly owned subsidiary of the Company ceased its used car trading business.

b) On 13 February 2015, ELK-Desa Development Sdn Bhd, an indirect wholly owned subsidiary of the Company was placed under members' voluntary winding-up. ELK-Desa Development Sdn Bhd had been dormant since year 2007.

The above events are not expected to have material financial impact to the Group.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 31 March 2015.

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 2015.

A12 Related Party Disclosures

Save as disclosed below, there was no significant related party transaction during the financial period ended 31 March 2015.

On 13 November 2014, ELK-Desa Capital Sdn Bhd ("ELK-Desa Capital"), a wholly owned subsidiary of the Company, had entered into a sale and purchase agreement ("SPA") with Eng Lee Kredit Sdn Bhd, for the acquisition by ELK-Desa Capital of two (2) freehold adjoining intermediate and corner four storey terrace shop offices bearing postal address of No. 56 and 58, Lorong Tapah, Off Jalan Goh Hock Huat, 41400 Klang, Selangor Darul Ehsan, for a cash consideration of RM3.80 million. The acquisition was completed on 13 February 2015.

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2015

B1 Review Of Performance

Current Quarter Performance (FY2015-Q4 vs FY2014-Q4)

The Group recorded a 31% increase in profit before tax from RM5.48 million to RM7.17 million.

Revenue increased by 8% from RM13.38 million to RM14.49 million due to an increase in the hire purchase portfolio. Other income increased from RM0.14 million to RM0.58 million mainly due to higher fixed deposit interest. Impairment allowance decreased 12% to RM3.50 million.

Year To Date Performance (FY2015 vs FY2014)

The Group recorded a 14% increase in profit before tax for FY2015, rising from RM22.43 million to RM25.49 million.

Revenue increased by 19% from RM48.39 million to RM57.61 million due to an increase in the hire purchase portfolio. Other income increased from RM0.93 million to RM2.68 million mainly due to higher fixed deposit interest. However, 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 for the financial year.

B2 Comparison of Results with Preceding Quarter

The Group's profit before tax for the current quarter of RM7.17 million was higher as compared to RM6.47 million of the immediate preceding quarter mainly due to lower 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 effect of the Goods and Services Tax ("GST") on domestic consumers remain as a cause for concern. As a consequence, the Group's profit may be affected by any 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 will continue to uphold its stringent hire purchase disbursement policy and will grow its hire purchase portfolio at a cautious pace.

Despite the economic uncertainties ahead, the Board remains committed to deliver a satisfactory performance for the financial year ending 31 March 2016.

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 2015 are set out below:

	Quarter ended	Year to date
	31.03.2015	31.03.2015
	RM	RM
(a) Income Tax	1,796,260	6,139,004
(b) Deferred Taxation	219,935	550,017
	<u>2,016,195</u>	<u>6,689,021</u>

The effective tax rate of the Group for the financial period ended 31 March 2015 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 fourth quarter ended 31 March 2015

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 31 March 2015, the proceeds have been fully utilised as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Timeframe for Utilisation	Deviation
	RM	RM		RM
(a) Expansion of hire purchase business	80,700,000	80,662,286	Within 12 months	(37,714)
(b) Repayment of existing bank borrowings	18,000,000	17,996,450	Within 12 months	(3,550)
(c) Expenses relating to the Rights Issue of ICULS	1,300,000	1,341,264	Within 6 months	41,264
	100,000,000	100,000,000		-

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

B7 Group Borrowings & Debt Securities

All borrowings and debt securities as at 31 March 2015 are secured except for the ICULS - liability component and one of the term loans amounting to RM1.5 million. The Group does not have any borrowings or debt securities that are denominated in foreign currency.

Borrowings		As at 31.03.2015 RM	As at 31.3.2014 RM
Block Discounting Payables	- within 1 year	16,032,879	20,536,165
	- later than 1 year	17,143,251	36,263,660
		33,176,130	56,799,825
Term Loans	- within 1 year	3,870,000	6,168,000
	- later than 1 year	-	3,870,000
		3,870,000	10,038,000
Bank Overdraft	- within 1 year	1,670,530	1,706,289
Total Borrowings		38,716,660	68,544,114
Debt Securities			
ICULS - liability component	- later than 1 year	18,336,712	-

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2015

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 7.5 sen per share in respect of the current financial year ended 31 March 2015.

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.

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 31.03.2015	Quarter ended 31.03.2014	Year to date ended 31.03.2015	Year to date ended 31.03.2014
Profit after taxation (RM)	5,150,659	3,794,695	18,796,391	16,399,944
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)	4.12	3.04	15.04	13.12

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 31.03.2015	Quarter ended 31.03.2014	Year to date ended 31.03.2015	Year to date ended 31.03.2014
Profit after taxation (RM)	5,150,659	3,794,695	18,796,391	16,399,944
Interest expense on ICULS, net of tax (RM)	418,694	-	1,675,520	-
Adjusted profit after tax (RM)	5,569,353	3,794,695	20,471,911	16,399,944
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	-	76,931,507	-
Adjusted weighted average number of ordinary shares (units)	205,000,000	125,000,000	201,931,507	125,000,000
Diluted earnings per ordinary share (sen)	2.72	3.04	10.14	13.12

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2015

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

	Quarter ended 31.03.2015 RM	Year to date ended 31.03.2015 RM
The comprehensive income is arrived at after charging/(crediting) the following:		
Interest income	(509,395)	(2,284,001)
Interest expense	875,606	4,181,189
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	-	-

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 31.03.2015 RM	As at 31.3.2014 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	81,082,170	71,596,185
- Unrealised	2,523,454	2,619,030
	<u>83,605,624</u>	<u>74,215,215</u>
Less: Consolidation adjustments	(34,872,097)	(34,903,056)
Total retained earnings as per consolidation accounts	<u>48,733,527</u>	<u>39,312,159</u>