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### The condensed consolidated balance sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010

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### The condensed consolidated income statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010.



**The condensed consolidated cashflow statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010.**

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### The condensed consolidated statement of changes in equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010.

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### NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 EMBER 2011

### PART A - EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS

### (FRS) 134

# A1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010*.*

# A2. CHANGE IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2007, except that the Group has adopted the new/revised standards mandatory for annual periods beginning on or after 1 January 2007, as follows:

|  |  |
| --- | --- |
| FRS 117 | Leases |
| FRS 1192004 (Revised) | Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures |
| FRS 124 | Related Party Disclosures |

The adoption of the above FRSs does not have any significant financial impact on the Group.

# A3. STATUS OF AUDIT QUALIFICATIONS

The annual financial statements of the Group for the year ended 31 December 2010 were qualified.

Details of the Audit Qualification are as follows:-

**Basis for qualified opinion**

As discussed in Note A5 to the financial statements, the audited financial statements of one of the subsidiaries, Ark Thai Company Limited, were not made available to us. The cost of investment in this subsidiary amounted to RM1.6 million. The loss for the financial year of RM9,735 and the deficit in shareholders’ funds of RM2.3 million of this subsidiary which have been included in the consolidated financial statements of the Group. As the audited financial statements of this subsidiary are not available to us, we are unable to ascertain the possible adjustments, if any, to the consolidated financial statements that might have been necessary should the audited financial statements of the said subsidiary have been made available.

**Qualified opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of its financial performance and cash flows for the year then ended.

**Emphasis of matters**

Without further modifying our opinion, we draw attention to note 3.1 to the financial statements which discloses the premise upon which the Group and the Company have prepared its financial statements by applying the going concern assumption, notwithstanding that the Company’s incurred a net loss of RM582,258 and the Group’s net profit RM228,844 during the year ended 31 December 2010, and as of that date, the Group’s and the Company’s current liabilities exceeded its current assets by RM109,414,877 and RM90,966,311 respectively, the Group’s and the Company’s deficit in shareholders’ funds amounted to RM109,210,038 and RM90,853,482 respectively, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as going concern.

The appropriateness of preparing the financial statements of the Company to continue as a going concern is dependent upon the successful implementation of the Proposed Corporate Restructuring Exercise (“PCRE”) as well as the ability of the Group and the Company to be successful in their future operation and profitability. Accordingly the financial statements of the Group and of the Company do not include any adjustments relating to the amounts and classifications of assets and liabilities that might necessary should the Company unable to continue as a going concern.

# A4. ITEMS OF UNUSUAL NATURE AND AMOUNT

There were no unusual items affecting assets, liabilities, equity, net income or cashflows during the current quarter under review.

# A5. SEASONAL OR CYCLICAL FACTORS

There are no significant variations to the level of profit due to seasonal or cyclical effects of operations.

# A6. CHANGES IN ESTIMATES

There were no changes in estimates of amounts that give a material effect for the current quarter.

# A7. DEBT AND EQUITY SECURITIES

There were no issues of equity securities and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current quarter.

# A8. DIVIDEND PAID

There was no dividend paid during this current quarter.

# A9. SEGMENTAL INFORMATION

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# A10. REVALUATION OF PROPERTY AND EQUIPMENT

The valuations of property and equipment have been brought forward without amendment from the financial year ended 31 December 2010

# A11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

All Corporate Guarantees given by the Company in respect of credit facilities and certain creditors of Lankhorst Pancabumi Contractors Sdn Bhd (in liquidation) has been included in the accounts and is being addressed by the Company pursuant to the PCRE.

# A12. CHANGES IN GROUP COMPOSITION

There were no changes to the Group’s composition during the quarter under review.

# A13. SIGNIFICANT SUBSEQUENT EVENTS

There were no significant events subsequent to the end of the current quarter up to the date of this report that have not been reflected in the financial statements for the current quarter under review.

# A14. CAPITAL COMMITMENT

The Group has no capital commitment as of 31 December 2011.

### PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

# B15. REVIEW OF PERFORMANCE

The Group recorded a loss before tax of RM0.159 million in the current quarter as compared to a loss before tax of RM0.051 million in the same quarter of the preceding year. The loss recorded was mainly due to an increase in administrative expenses in this quarter.

For the year-to-date, the Group recorded operating revenue of RM4.087 million representing a growth of 149.21% over the preceding year, attributable mainly to the construction division. The Group profit before tax increased by RM100.54 million as compared to preceding year. It’s mainly due to debt relief arising from the completion of the corporate restructuring scheme.

# B16. EXPLANATORY NOTE ON MATERIAL CHANGE

There has been no material change during the current quarter.

# B17. PROSPECTS

The Group faces more challenges in an unstable operating environment in 2011. However with the successful completion and implementation of the PCRE on 30 June 2011, (explained in note B23) the Group is hopeful of an improved operational performance moving forward.

The Group is also putting in place its many measures to build on its order book concentrating initially mainly on local projects and proceeding with new launches at our development project in Kuala Kubu Bahru, Selangor (“KKB”). The Group is also exploring smart partnerships with land owners to leverage and take advantage of a pick up in the industry expected in the not too distant future.

# B18. EARNING PER SHARE

The profit per share is computed based on the profit for the financial year of RM100.769 million (2010: net profit for the financial year of RM0.226 million) and on the number of the ordinary shares in issue during the financial year of 41,110,025 (2010: 41,268,600).

Diluted earnings per ordinary share are not presented as there is no dilutive potential ordinary share outstanding during the financial year.

# B19. EXPLANATORY NOTE ON PROFIT FORECAST/GUARANTEE

No profit forecast / guarantee have been given by the company.

# B20. TAXATION

Taxation for the current period is as follows:



No taxation has been provided in the current year to date.

# B21. UNQUOTED INVESTMENTS / PROPERTIES

There has been no disposal of any unquoted securities or properties during the current quarter.

# B22. QUOTED SECURITIES

There has been no purchase or disposal of any quoted securities during the current quarter.

# B23. CORPORATE PROPOSALS

With the completion of the regularisation plan, the Company has regularised its financial condition and no longer triggers any of the criteria under Paragraph 8.04(8) and Practice Note 17 (“PN17”) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has been uplifted from being classified as a PN17 company effective 4 November 2011.

# B24. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

There are no off-balance sheet financial instruments in issue.

# B25. CHANGES IN MATERIAL LITIGATION

There were no changes in material litigation involving the remaining companies within the Group during the quarter under review.

# B26. DIVIDEND

No interim or final dividend has been declared or recommended.

# B27. REALISED AND UNREALISED PROFIT/LOSSES DISCLOSURE

# B28. AUTHORISATION

This interim financial report for the financial period ended 31 December 2011 has been seen and approved by the Board of Directors of ARK Resources Berhad on 27 February 2012 for release to Bursa Securities.