

ELK-DESA[®]

ELK-DESA RESOURCES BERHAD

(Company No: 180164-X)

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
31 MARCH 2018**

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 2018
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM	RM	RM	RM
Revenue	27,696,469	24,850,321	104,127,472	94,488,905
Other income	773,373	390,268	2,116,703	2,077,082
Cost of inventories sold	(5,145,803)	(4,734,502)	(19,424,863)	(18,759,333)
Depreciation of property, plant and equipment	(148,645)	(148,501)	(622,083)	(575,929)
Impairment allowance	(4,491,024)	(5,450,311)	(20,743,752)	(20,164,949)
Other expenses	(7,200,527)	(6,380,221)	(27,699,251)	(25,399,869)
Finance costs	(681,886)	(317,885)	(2,418,600)	(1,099,353)
Profit before taxation	10,801,957	8,209,169	35,335,626	30,566,554
Taxation	(2,892,006)	(1,788,675)	(9,411,984)	(7,565,159)
Profit for the financial period	7,909,951	6,420,494	25,923,642	23,001,395
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	7,909,951	6,420,494	25,923,642	23,001,395
Earnings per ordinary share - basic (sen)	2.77	2.79	9.91	10.66
Earnings per ordinary share - diluted (sen)	2.63	2.55	9.31	9.13

(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 2017)

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

As at 31 March 2018

(The figures have not been audited.)

	As at 31.03.2018 RM	As at 31.03.2017 RM
ASSETS		
Non-current assets		
Property, plant and equipment	7,239,513	7,155,604
Hire purchase receivables	281,872,966	243,324,545
Deferred tax assets	3,624,551	3,870,566
	292,737,030	254,350,715
Current assets		
Inventories	8,451,575	6,715,178
Other assets	1,412,695	1,261,259
Trade receivables	9,898,236	8,609,202
Hire purchase receivables	105,410,777	94,901,305
Other receivables, deposits and prepayments	1,853,878	1,829,278
Fixed deposits	11,675,787	12,164,816
Short term funds	34,669,749	-
Cash and bank balances	3,918,989	2,433,255
	177,291,686	127,914,293
Total assets	<u>470,028,716</u>	<u>382,265,008</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	307,439,983	243,129,886
Share premium	23,260,817	24,496,944
Retained earnings	65,169,157	57,280,090
ICULS - equity component	17,264,332	25,915,034
Treasury shares	(16,735,944)	(16,735,944)
Total equity	396,398,345	334,086,010
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	29,435,982	11,235,666
ICULS - liability component	2,260,704	4,201,689
Deferred tax liability	13,716	38,441
	31,710,402	15,475,796
Current liabilities		
Trade payables	13,545,422	14,931,949
Other payables and accruals	4,541,101	4,824,023
Block discounting payables - secured	21,205,294	10,559,933
Bank overdrafts	-	519,946
Current tax liabilities	2,628,152	1,867,351
	41,919,969	32,703,202
Total liabilities	<u>73,630,371</u>	<u>48,178,998</u>
TOTAL EQUITY AND LIABILITIES	<u>470,028,716</u>	<u>382,265,008</u>
Net assets per share	1.39	1.45

(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 2017)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 31 March 2018
(The figures have not been audited.)

	Number of Issued Shares Unit	Share Capital RM	Share Premium RM	Retained Earnings RM	Treasury shares RM	ICULS - equity component RM	Total Equity RM
Balance as at 1 April 2016	184,800,000	184,800,000	13,997,928	52,604,820	(13,440,667)	83,283,772	321,245,853
Total comprehensive income	-	-	-	23,001,395	-	-	23,001,395
Final Dividend for financial year ended 31 March 2016	-	-	-	(7,962,088)	-	-	(7,962,088)
Interim Dividend for financial year ended 31 March 2017	-	-	-	(7,484,719)	-	-	(7,484,719)
Conversion of ICULS	58,329,526	58,329,886	10,499,016	(2,879,318)	-	(57,368,738)	8,580,846
Purchase of treasury shares	-	-	-	-	(3,295,277)	-	(3,295,277)
Balance as at 31 March 2017	243,129,526	243,129,886	24,496,944	57,280,090	(16,735,944)	25,915,034	334,086,010
Balance as at 1 April 2017	243,129,526	243,129,886	24,496,944	57,280,090	(16,735,944)	25,915,034	334,086,010
Total comprehensive income	-	-	-	25,923,641	-	-	25,923,641
Final Dividend for financial year ended 31 March 2017	-	-	-	(8,136,209)	-	-	(8,136,209)
Interim Dividend for financial year ended 31 March 2018	-	-	-	(9,281,318)	-	-	(9,281,318)
Conversion of ICULS	8,795,587	10,378,799	-	(617,047)	-	(8,650,702)	1,111,050
Issuance of shares pursuant to right issue	46,492,498	53,931,298	-	-	-	-	53,931,298
Expenses incurred in relation to the right issue	-	-	(1,236,127)	-	-	-	(1,236,127)
Balance as at 31 March 2018	298,417,611	307,439,983	23,260,817	65,169,157	(16,735,944)	17,264,332	396,398,345

(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 2017)

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

For the financial period ended 31 March 2018

(The figures have not been audited.)

	12 months ended	
	31.03.2018	31.03.2017
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	35,335,626	30,566,556
Adjustment for :		
Depreciation of property, plant and equipment	624,584	576,147
Loss/(Gain) on disposal of property, plant and equipment	(2,357)	(20,169)
Property, plant and equipment written off	1	-
Net impairment allowance made for the financial period	21,575,668	20,901,962
Interest expense	2,329,985	984,735
Interest income	(705,551)	(1,442,330)
Income from short term funds	(766,821)	-
Unrealised (gain) / loss on foreign exchange	37,315	-
Operating profit before working capital changes	<u>58,428,450</u>	<u>51,566,901</u>
Changes in working capital:		
Inventories	(1,736,397)	(4,787,134)
Other assets	(151,436)	(225,552)
Hire purchase receivables	(70,360,902)	(83,023,341)
Trade receivables	(1,595,650)	(7,278,340)
Other receivables, deposits and prepayments	(24,941)	(807,693)
Trade payables	(1,386,528)	3,332,009
Other payables and accruals	(81,031)	1,467,427
	<u>(75,336,885)</u>	<u>(91,322,624)</u>
Cash generated from/(used in) operations	<u>(16,908,435)</u>	<u>(39,755,723)</u>
Tax paid	<u>(8,780,751)</u>	<u>(7,789,669)</u>
Net cash from/(used in) operating activities	(25,689,186)	(47,545,392)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(708,495)	(889,028)
Proceeds from disposal of property, plant and equipment	2,358	43,774
Interest received	705,551	1,442,330
Income received from short term funds	766,821	-
Net withdrawal / (placement) of fixed deposit with licensed banks with original maturity of more than three (3) months	-	25,979,507
Net cash from/(used in) investing activities	766,235	26,576,583
<u>Cash flows from financing activities</u>		
Net (repayment)/drawdown of block discounting payables	29,016,017	6,384,179
Proceed from Rights Issue	53,931,298	-
Rights Issue expenses paid	(1,236,127)	-
Interest paid	(3,181,291)	(4,009,713)
Dividend paid	(17,417,527)	(15,446,808)
Purchase of treasury shares	-	(3,295,277)
Net cash from/(used in) financing activities	61,112,370	(16,367,619)

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

For the financial period ended 31 March 2018

(The figures have not been audited.)

	12 months ended	
	31.03.2018	31.03.2017
	RM	RM
Net increase/(decrease) in cash and cash equivalents during the financial period	36,189,419	(37,336,428)
Effects of exchange rate changes on cash and cash equivalents	(3,019)	-
Cash and cash equivalents as at beginning of financial year	14,078,125	51,414,553
Cash and cash equivalents as at end of financial period	50,264,525	14,078,125
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	15,594,776	14,598,071
Bank overdraft	-	(519,946)
Short term fund	34,669,749	-
	50,264,525	14,078,125

(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 2017)

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2018

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 2017, 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 2017 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 1 April 2017.

On 1 April 2017, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title		Effective Date
Amendments to MFRS 12	<i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to MFRS 107	<i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

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

Generally, the Group's operations will benefit from higher consumer spendings during festive seasons in Malaysia.

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 2018.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 31 March 2018.

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

Save as disclosed below, there were no issuance, repurchases and repayment of debt and equity securities and share cancellations during the financial period ended 31 March 2018.

On 5 September 2017, the Company issued 46,492,498 new ordinary shares at RM 1.16 per share pursuant to the Company's right issue exercise.

During the financial period under review, the Company had issued 8,795,587 new ordinary shares pursuant to conversions of 10,378,799 units of ICULS.

A6 Dividend Paid

On 28 August 2017, the Company had paid a single-tier final dividend of 3.50 per share for the financial year ended 31 March 2017 amounting to RM8.14 million.

On 8 February 2018, the Company had paid a single-tier interim dividend of 3.25 sen per share for the financial year ended 31 March 2018 amounting to RM9.28 million.

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

 Notes to the Interim Financial Statements
 for the fourth quarter ended 31 March 2018

A7 Segmental Reporting

	Hire Purchase Financing RM	Furniture RM	Elimination RM	Consolidated RM
Quarter Ended 31 March 2018				
Revenue (External)	19,330,746	8,365,723	-	27,696,469
Revenue (Inter-Segment)	-	-	-	-
Other income	818,147	16,734	(61,508)	773,373
Cost of inventories sold	-	(5,145,803)	-	(5,145,803)
Depreciation of property, plant and equipment	(118,478)	(41,703)	11,536	(148,645)
Impairment allowance	(4,381,762)	(109,262)	-	(4,491,024)
Other expenses	(4,611,984)	(2,617,443)	28,900	(7,200,527)
Finance costs	(660,835)	(82,696)	61,645	(681,886)
Profit/(Loss) before tax	10,375,834	385,550	40,573	10,801,957

Quarter Ended 31 March 2017

Revenue (External)	17,415,006	7,435,315	-	24,850,321
Revenue (Inter-Segment)	-	3,857	(3,857)	-
Other income	383,892	28,294	(21,918)	390,268
Cost of inventories sold	-	(4,737,340)	2,838	(4,734,502)
Depreciation of property, plant and equipment	(96,764)	(51,737)	-	(148,501)
Impairment allowance	(5,459,530)	9,219	-	(5,450,311)
Other expenses	(3,930,426)	(2,449,186)	(609)	(6,380,221)
Finance costs	(288,164)	(51,639)	21,918	(317,885)
Profit/(Loss) before tax	8,024,014	186,783	(1,628)	8,209,169

	Hire Purchase Financing RM	Furniture RM	Elimination RM	Consolidated RM
12 months Ended 31 March 2018				
Revenue (External)	73,081,686	31,045,786	-	104,127,472
Revenue (Inter-Segment)	-	6,915	(6,915)	-
Other income	2,224,052	74,022	(181,371)	2,116,703
Cost of inventories sold	-	(19,430,021)	5,158	(19,424,863)
Depreciation of property, plant and equipment	(428,849)	(204,891)	11,657	(622,083)
Impairment allowance	(20,471,093)	(272,659)	-	(20,743,752)
Other expenses	(17,182,645)	(10,548,111)	31,505	(27,699,251)
Finance costs	(2,329,985)	(269,986)	181,371	(2,418,600)
Profit/(Loss) before tax	34,893,166	401,055	41,405	35,335,626

Segment assets	468,248,126	21,767,119	(19,986,529)	470,028,716
Segment liabilities	72,218,204	6,438,473	(5,026,306)	73,630,371

12 months Ended 31 March 2017

Revenue (External)	65,434,897	29,054,008	-	94,488,905
Revenue (Inter-Segment)	-	7,670	(7,670)	-
Other income	2,007,777	91,223	(21,918)	2,077,082
Cost of inventories sold	-	(18,764,884)	5,551	(18,759,333)
Depreciation of property, plant and equipment	(381,253)	(194,676)	-	(575,929)
Impairment allowance	(20,122,828)	(42,121)	-	(20,164,949)
Other expenses	(15,732,289)	(9,669,960)	2,380	(25,399,869)
Finance costs	(984,879)	(136,392)	21,918	(1,099,353)
Profit/(Loss) before tax	30,221,425	344,868	261	30,566,554

Segment assets	379,921,625	19,353,504	(17,010,121)	382,265,008
Segment liabilities	46,012,714	4,174,777	(2,008,493)	48,178,998

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 2018.

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2018

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 31 March 2018.

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 2018.

A12 Related Party Disclosures

There was no significant related party transaction during the financial period ended 31 March 2018.

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

 Notes to the Interim Financial Statements
 for the fourth quarter ended 31 March 2018

B1 Review Of Performance
CURRENT QUARTER (FY2018-Q4 vs FY2017-Q4)

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2018	31.03.2017			31.03.2018	31.03.2017		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	27,696,469	24,850,321	2,846,148	11%	104,127,472	94,488,905	9,638,567	10%
Profit before interest and tax	11,483,843	8,527,054	2,956,789	35%	37,754,226	31,665,907	6,088,319	19%
Profit before taxation	10,801,957	8,209,169	2,592,788	32%	35,335,626	30,566,554	4,769,072	16%
GROUP	As at		Variance	Variance			Variance	Variance
	31.03.2018	31.03.2017						
	RM	RM			RM	%		
Hire Purchase Receivables	387,283,743	338,225,850	49,057,893	15%				
Total Borrowings	50,641,276	22,315,545	28,325,731	127%				

The Group's revenue increased by 11% to RM27.70 million due to higher contribution from both hire purchase and furniture segment. The Group's profit before tax increased by 32% to RM10.80 million mainly due to higher profit contribution from the hire purchase segment.

Hire purchase receivables registered a 15% growth year on year from RM338.23 million to RM387.28 million as at 31 March 2018. This was the key factor that led to the increase in hire purchase revenue for the current financial period.

Total borrowings increased by 127% mainly due to higher drawdown of block discounting payables during the current financial period to support the increased hire purchase receivables.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2018	31.03.2017			31.03.2018	31.03.2017		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	19,330,746	17,415,006	1,915,740	11%	73,081,686	65,434,897	7,646,789	12%
Profit before interest and tax	11,036,669	8,312,178	2,724,491	33%	37,223,151	31,206,304	6,016,847	19%
Profit before taxation	10,375,834	8,024,014	2,351,820	29%	34,893,166	30,221,425	4,671,741	15%

Hire Purchase Segment

Revenue increased by 11% to RM19.33 million, mainly due to increase in hire purchase portfolio.

Other income increased by 109% to RM0.76 million mainly due to additional income received from short term funds.

Impairment allowance decreased by 20% to RM4.38 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 1.56% to 1.10%. Excluding the collective impairment allowance, the credit loss charge for the quarter decreased from 1.46% to 0.99%. The improvement was mainly due to a stable economic environment during financial period under review and coupled with the Group's concerted efforts in credit recovery.

Other expenses increased by 17% to RM4.61 million mainly due to higher staff costs attributed to the recruitment of a larger workforce and higher staff development expenses. As a result of higher borrowings, the finance cost increased by 129% to RM0.66 million.

The profit before tax increased by 29% to RM10.38 million mainly due to increase in hire purchase portfolio and lower impairment allowance for the quarter ended 31 March 2018.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2018	31.03.2017			31.03.2018	31.03.2017		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	8,365,723	7,439,172	926,551	12%	31,052,701	29,061,678	1,991,023	7%
Profit before interest and tax	468,246	238,422	229,824	96%	671,041	481,260	189,781	39%
Profit before taxation	385,550	186,783	198,767	106%	401,055	344,868	56,187	16%

Furniture Segment

Revenue increased by 12% to RM8.37 million mainly due to the increase of local sales, which is in line with the Group's effort to focus its operations in the domestic market. Gross profit margin increased from 36% to 38%.

Other expenses increased by 7% to RM2.62 million mainly due to higher operating expenses which is in tandem with the higher sales.

The Division recorded a profit before tax of RM0.39 million for the quarter ended 31 March 2018.

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Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2018

YEAR-TO-DATE (FY2018 vs FY2017)

The Group's revenue increased 10% to RM104.13 million, mainly due to higher contribution from hire purchase business.

The Group's profit before tax increased 16% to RM35.34 million, contributed by the hire purchase division.

Hire Purchase Segment

Revenue increased by 12% from RM65.43 million to RM73.08 million, mainly due to increase in hire purchase portfolio.

Impairment allowance increased marginally by 2% to RM20.47 million mainly due to higher cost of debt recoveries. Despite the slight increased in impairment allowance, the credit loss charge decreased from 6.32% to 5.45%. Excluding the collective impairment allowance, the credit loss charge for the financial year would be 5.12%, a decrease from 5.82%. The improvement was mainly due to a stable economic environment during financial year under review and coupled with the Group's concerted efforts in credit recovery.

Other expenses increased by 9% to RM17.18 million mainly due to higher staff costs attributed to the recruitment of a larger workforce and higher staff development expenses, which is in line with the larger hire purchase portfolio.

As a result of higher borrowings, the finance cost increased by 137% to RM2.33 million.

The profit before tax for the 12-month period increased by 15% from RM30.22 million to RM34.89 million, riding on the increase in hire purchase portfolio and the Group's concerted efforts in credit recovery.

Furniture Segment

Despite a 49% decrease in export sales amounting to RM2.95 million, the total furniture revenue increased by 7% to RM31.05 million which is in line with the Group's effort to focus its operations in the domestic market. Gross profit margin increased from 35% to 37%.

Impairment allowance increased by approximately RM0.23 million to RM0.27 million, mainly due to slower payment from furniture dealers. Other expenses increased by 9% to RM10.55 million mainly due to higher operating expenses which is in tandem with the higher sales.

The Division recorded a profit before tax of approximately RM0.40 million for the 12-month period ended 31 March 2018.

B2 Comparison of Results with Preceding Quarter

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	31.03.2018	31.12.2017		
	RM	RM	RM	%
Revenue	27,696,469	25,895,851	1,800,618	7%
Profit before interest and tax	11,483,843	10,147,922	1,335,921	13%
Profit before taxation	10,801,957	9,544,332	1,257,625	13%

The Group's profit before tax for the current quarter of RM10.80 million was higher as compared to RM9.54 million of the immediate preceding quarter mainly due to higher profit contribution from the hire purchase segment.

B3 Prospects and Outlook

As a result of the recent change in political landscape in Malaysia, the economic policies to be adopted by the new government will have an impact to the business operating environment.

Despite the uncertain economic conditions ahead, the overall macro-economic factors (i.e. labour market conditions, inflation outlook, cost of living) and general public sentiments remain positive. In view of this, the Group intends to maintain its momentum in growing its hire purchase portfolio in the financial year ending 31 March 2019 without compromising on the quality of its assets.

The Group will focus on its core business of second hand car hire purchase financing, which strategically operates in the underserved niche market, and continue to remain prudent in managing its credit risks.

The furniture business will continue to focus its operations in the domestic market. However, the short term sales could be affected by the potential change of the GST policies.

In conclusion, the Board is confident that the Group's performance for the financial year ending 31 March 2019 is expected to be better than financial year ended 31 March 2018.

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2018

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 2018 are set out below:

	3 months ended 31.03.2018	12 months ended 31.03.2018
	RM	RM
(a) Income Tax	3,107,212	9,541,552
(b) Deferred Taxation	(215,206)	(129,568)
	<u>2,892,006</u>	<u>9,411,984</u>

The effective tax rate of the Group for the financial period ended 31 March 2018 were higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes.

B6 Status of Corporate Proposals Announced

On 11 November 2016, Mercury Securities Sdn Bhd, on behalf of the Board, announced that the Company proposes to undertake the following proposals:

(i) Proposed renounceable rights issue of up to 51,589,369 new ordinary shares at an issue price of RM1.16 per rights share on the basis of one (1) rights share for every five (5) existing ordinary shares in ELK-Desa Resources Berhad held on an entitlement date to be determined later ("Proposed Rights Issue"); and

(ii) Proposed exemption under Paragraph 4.08(1)(B) of the Rules of Take-Overs, Mergers and Compulsory Acquisitions to Mr. Teoh Hock Chai @ Tew Hock Chai ("THC") and persons acting in concert with him ("PACs") from the obligation to undertake a mandatory take-over offer for all ELK-Desa shares not already held by THC and his PACs ("Proposed Exemption").

On 8 September 2017, the Company has successfully completed the Rights Issue of 46,492,498 Rights Shares.

As at 31 March 2018, the proceeds have been fully utilised as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Timeframe for Utilisation	Deviation	Remarks
	RM	RM		RM	
(a) Hire purchase disbursements	52,331,298	52,695,171	Within 12 months	363,873	Fully utilised
(b) Expenses relating to the Rights Issue	1,600,000	1,236,127	Within 6 months	(363,873)	Unutilised portion was allocated to hire purchase disbursement.
	53,931,298	53,931,298		-	

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

B7 Group Borrowings & Debt Securities

The Group does not have any borrowings or debt securities that are denominated in foreign currency.

Borrowings		As at 31.03.2018	As at 31.03.2017
		RM	RM
Block Discounting Payables	- within 1 year	21,205,294	10,559,933
(Fixed rate and secured)	- later than 1 year	29,435,982	11,235,666
		50,641,276	21,795,599
Bank Overdraft	- within 1 year	-	519,946
(Floating rate and unsecured)			
Total Borrowings		<u>50,641,276</u>	<u>22,315,545</u>
Debt Securities			
ICULS - liability component	- later than 1 year	2,260,704	4,201,689

B8 Changes in Material Litigation

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

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B9 Dividend

The Board of Directors recommends a single tier final dividend of 3.50 sen per share (FY2017 : 3.50 sen) in respect of the financial year ended 31 March 2018. The proposed final dividend is subject to shareholders' approval at the forthcoming annual general meeting. The date of dividend entitlement and payment will be determined at a later date.

In addition to the first single tier interim dividend of 3.25 sen per share (FY2017 : 3.25 sen) which was paid on 8 February 2018, the total dividend for the financial year ended 31 March 2018 would be 6.75 sen per share (FY2017 : 6.75 sen).

Upon shareholders' approval, the dividend payout for the financial year ended 31 March 2018 which represents more than 70% of the net profit, is higher than the dividend policy of 60% set by the Board.

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 period.

	Quarter ended 31.03.2018	Quarter ended 31.03.2017	Year to date ended 31.03.2018	Year to date ended 31.03.2017
Profit after taxation (RM)	7,909,951	6,420,494	25,923,642	23,001,395
Weighted average number of ordinary shares (units)	285,583,071	230,298,437	261,635,501	215,675,117
Basic earnings per ordinary share (sen)	2.77	2.79	9.91	10.66

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 31.03.2018	Quarter ended 31.03.2017	Year to date ended 31.03.2018	Year to date ended 31.03.2017
Profit after taxation (RM)	7,909,951	6,420,494	25,923,642	23,001,395
Interest expense on ICULS, net of tax (RM)	75,692	118,807	447,074	487,482
Adjusted profit after tax (RM)	7,985,643	6,539,301	26,370,716	23,488,877
Weighted average number of ordinary shares (units)	285,583,071	230,298,437	261,635,501	215,675,117
Adjustment for potential dilutive shares (units)	17,625,189	26,417,326	21,574,616	41,592,143
Adjusted weighted average number of ordinary shares (units)	303,208,260	256,715,763	283,210,117	257,267,260
Diluted earnings per ordinary share (sen)	2.63	2.55	9.31	9.13

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2017 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended 31.03.2018 RM	12 months ended 31.03.2018 RM
Profit before taxation is arrived at after charging:		
Interest expense	660,835	2,329,985
Gain or loss on disposal of property, plant and equipment	-	(2,357)
Realised foreign exchange (gain) or loss	62,596	16,281
Unrealised foreign exchange (gain) or loss	1,352	37,315
And crediting:		
Interest income	221,461	705,551

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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 31.03.2018 RM	As at 31.03.2017 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	97,021,116	89,368,310
- Unrealised	3,043,541	2,823,720
	<u>100,064,657</u>	<u>92,192,030</u>
Less: Consolidation adjustments	(34,895,500)	(34,911,940)
Total retained earnings as per consolidation accounts	<u>65,169,157</u>	<u>57,280,090</u>