

ELK-DESA[®]

ELK-DESA RESOURCES BERHAD

(Company No: 180164-X)

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
31 MARCH 2019**

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 2019
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM	RM	RM	RM
Revenue	32,463,959	27,696,469	123,394,170	104,127,472
Other income	727,728	773,373	2,538,673	2,116,703
Cost of inventories sold	(6,349,639)	(5,145,803)	(24,438,855)	(19,422,362)
Depreciation of property, plant and equipment	(293,902)	(148,645)	(923,774)	(624,583)
Impairment allowance	(4,888,318)	(4,491,024)	(17,527,595)	(20,743,753)
Other expenses	(8,777,794)	(7,200,527)	(34,984,634)	(27,699,251)
Finance costs	(1,462,751)	(681,886)	(4,252,198)	(2,418,600)
Profit before taxation	11,419,283	10,801,957	43,805,787	35,335,626
Taxation	(2,906,867)	(2,892,006)	(10,889,869)	(9,411,984)
Profit for the financial period	8,512,416	7,909,951	32,915,918	25,923,642
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	8,512,416	7,909,951	32,915,918	25,923,642
Earnings per ordinary share - basic (sen)	2.87	2.77	11.22	9.91
Earnings per ordinary share - diluted (sen)	2.82	2.63	10.90	9.31

(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 2018)

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

As at 31 March 2019

(The figures have not been audited.)

	As at 31.03.2019 RM	As at 31.03.2018 RM
ASSETS		
Non-current assets		
Property, plant and equipment	10,667,280	7,239,513
Hire purchase receivables	357,435,653	281,872,966
Deferred tax assets	3,337,309	3,624,551
	371,440,242	292,737,030
Current assets		
Inventories	11,057,387	8,451,574
Other assets	1,312,303	1,412,695
Trade receivables	11,506,485	9,919,379
Hire purchase receivables	119,018,183	105,410,777
Other receivables, deposits and prepayments	1,783,133	2,106,066
Current tax assets	35,447	36,530
Short term funds	16,408,065	34,669,749
Cash and bank balances	15,001,842	15,594,775
	176,122,845	177,601,545
Total assets	547,563,087	470,338,575
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	343,162,661	307,439,983
Share premium	-	23,260,816
Retained earnings	60,900,168	65,169,158
ICULS - equity component	6,877,394	17,264,332
Treasury shares	-	(16,735,944)
Total equity	410,940,223	396,398,345
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	64,080,578	29,435,983
ICULS - liability component	629,435	2,260,704
Deferred tax liability	12,289	13,716
	64,722,302	31,710,403
Current liabilities		
Trade payables	13,915,203	13,551,933
Other payables and accruals	5,237,530	4,807,919
Block discounting payables - secured	50,223,162	21,205,294
Current tax liabilities	2,524,667	2,664,681
	71,900,562	42,229,827
Total liabilities	136,622,864	73,940,230
TOTAL EQUITY AND LIABILITIES	547,563,087	470,338,575
Net assets per share	1.39	1.39

(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 2018)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 31 March 2019
(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 2017	243,129,526	243,129,886	24,496,944	57,280,089	(16,735,944)	25,915,034	334,086,009
Total comprehensive income	-	-	-	25,923,642	-	-	25,923,642
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)
Issuance of shares upon conversion of ICULS	8,795,587	10,378,799	-	(617,046)	-	(8,650,702)	1,111,051
Issuance of shares pursuant to rights issue	46,492,498	53,931,298	-	-	-	-	53,931,298
Expenses incurred pursuant to rights issue	-	-	(1,236,128)	-	-	-	(1,236,128)
Balance as at 31 March 2018	298,417,611	307,439,983	23,260,816	65,169,158	(16,735,944)	17,264,332	396,398,345
Balance as at 1 April 2018 - as previously stated	298,417,611	307,439,983	23,260,816	65,169,158	(16,735,944)	17,264,332	396,398,345
- Effect of adoption of MFRS9	-	-	-	1,182,534	-	-	1,182,534
Balance as at 1 April 2018 (as restated)	298,417,611	307,439,983	23,260,816	66,351,692	(16,735,944)	17,264,332	397,580,879
Total comprehensive income	-	-	-	32,915,918	-	-	32,915,918
Final Dividend for financial year ended 31 March 2018	-	-	-	(10,292,129)	-	-	(10,292,129)
Interim Dividend for financial year ending 31 March 2019	-	-	-	(10,365,218)	-	-	(10,365,218)
Issuance of shares upon conversion of ICULS	10,560,896	12,461,862	-	(974,151)	-	(10,386,938)	1,100,773
Transfer pursuant to Section 618(2) of the Companies Act 2016	-	23,260,816	(23,260,816)	-	-	-	-
Cancellation of treasury shares	(12,830,000)	-	-	(16,735,944)	16,735,944	-	-
Balance as at 31 March 2019	296,148,507	343,162,661	-	60,900,168	-	6,877,394	410,940,223

(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 2018)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 31 March 2019
(The figures have not been audited.)

	12 months ended	
	31.03.2019	31.03.2018
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	43,805,787	35,335,626
Adjustment for :		
Depreciation of property, plant and equipment	923,774	624,583
Loss/(Gain) on disposal of property, plant and equipment	(4,510)	(2,357)
Property, plant and equipment written off	-	1
Net impairment allowance made for the financial period	19,090,281	21,575,669
Interest expense	4,252,198	2,329,986
Interest income	(539,571)	(705,551)
Income from short term funds	(765,173)	(766,821)
Unrealised (gain) / loss on foreign exchange	(45,306)	37,314
Operating profit before working capital changes	<u>66,717,480</u>	<u>58,428,450</u>
Changes in working capital:		
Inventories	(2,605,812)	(1,736,396)
Other assets	100,392	(151,436)
Hire purchase receivables	(105,963,895)	(70,360,902)
Trade receivables	(2,298,267)	(1,595,650)
Other receivables, deposits and prepayments	70,746	(24,941)
Trade payables	369,781	(1,386,528)
Other payables and accruals	1,096,251	(81,032)
	<u>(109,230,804)</u>	<u>(75,336,885)</u>
Cash generated from/(used in) operations	<u>(42,513,324)</u>	<u>(16,908,435)</u>
Tax paid	<u>(11,464,031)</u>	<u>(8,780,752)</u>
Net cash from/(used in) operating activities	(53,977,355)	(25,689,187)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(4,477,031)	(708,494)
Proceeds from disposal of property, plant and equipment	130,000	2,358
Interest received	539,571	705,551
Income received from short term funds	765,173	766,821
Net cash from/(used in) investing activities	(3,042,287)	766,236
<u>Cash flows from financing activities</u>		
Net (repayment)/drawdown of block discounting payables	63,937,841	29,016,017
Proceeds from issuance of Rights Issue	-	53,931,298
Share issue expenses paid pursuant to rights issue	-	(1,236,128)
Interest paid	(5,115,471)	(3,181,291)
Dividend paid	(20,657,346)	(17,417,527)
Net cash from/(used in) financing activities	38,165,024	61,112,369

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 31 March 2019
(The figures have not been audited.)

	12 months ended	
	31.03.2019	31.03.2018
	RM	RM
Net increase/(decrease) in cash and cash equivalents during the financial period	(18,854,618)	36,189,418
Effects of exchange rate changes on cash and cash equivalents	-	(3,019)
Cash and cash equivalents as at beginning of financial year	50,264,525	14,078,125
Cash and cash equivalents as at end of financial period	31,409,907	50,264,524
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	15,001,842	15,594,775
Short term fund	16,408,065	34,669,749
	31,409,907	50,264,524

(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 2018)

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2019

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 are unaudited and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2018, 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 2018 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 1 April 2018.

On 1 April 2018, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title		Effective Date
Amendments to MFRS 1	<i>Annual Improvements to MFRS Standards 2014 - 2017 Cycle</i>	1 January 2018
MFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15		1 January 2018
MFRS 9	<i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128	<i>Annual Improvements to MFRS Standards 2014 - 2017 Cycle</i>	1 January 2018
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140	<i>Transfers of Investment Property</i>	1 January 2018

Application of the above accounting standards, amendments and interpretations are not expected to have a material impact on the financial statements of the Group.

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018.

The Group is applying the modified retrospective method for the adoption of MFRS 9 and the cumulative effects are shown as an adjustment to the opening retained earnings on 1 April 2018.

The new requirements introduced in respect of the accounting for financial instruments were classification and measurement, impairment and hedge accounting.

The impact of the adoption of MFRS 9 to the Group is limited to classification and measurement, and impairment whereas the hedge accounting is not applicable to the Group.

a) Classification and Measurement

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

The Group analysed the contractual cash flow characteristics of all financial instruments and concluded that reclassification for these instruments is not required.

b) Impairment

MFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the hirers, debtors and the economic environment in which the business is operating in.

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2019

The financial impact arising from the initial application of MFRS9 on the statement of financial position of the Group as at 1 April 2018 are as follows:-

Financial Effects Due to the adoption of MFRS 9

The following table summarises the financial impact, net of tax, of transition to MFRS 9 on the statements financial position of the Group:

	RM
Deferred tax assets	
Balance as at 1 April 2018	3,624,551
- Effects of MFRS 9	<u>(373,432)</u>
Balance as at 1 April 2018, restated	<u>3,251,119</u>
Hire purchase receivables	
Balance as at 1 April 2018	387,283,743
- Effects of MFRS 9	<u>1,717,629</u>
Balance as at 1 April 2018, restated	<u>389,001,372</u>
Trade receivables	
Balance as at 1 April 2018	9,919,379
- Effects of MFRS 9	<u>(161,663)</u>
Balance as at 1 April 2018, restated	<u>9,757,716</u>
Retained earnings	
Balance as at 1 April 2018	65,169,158
- Effects of MFRS 9	<u>1,182,534</u>
Balance as at 1 April 2018, restated	<u>66,351,692</u>

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 2019.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 31 March 2019.

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 2019.

During the financial period under review, the Company had issued 10,560,896 new ordinary shares pursuant to conversions of 12,461,862 units of ICULS.

In February 2019, the Company had cancelled 12,830,000 treasury shares. As at 31 March 2019, the number of ordinary shares were 296,148,507 shares. The number of outstanding ICULS stood at 8,330,437 units.

A6 Dividend Paid

Pursuant to the shareholders' approval on 9 August 2018 for the single-tier final dividend of 3.50 sen per share in respect of the financial year ended 31 March 2018, the dividend was paid to shareholders on 26 September 2018.

On 30 January 2019, the Company had paid a single-tier interim dividend of 3.50 sen per share for the financial year ending 31 March 2019 amounting to RM10.36 million.

A7 Segmental Reporting

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
Quarter Ended 31 March 2019			
Revenue (External)	22,529,361	9,934,598	32,463,959
Other income	673,229	54,499	727,728
Cost of inventories sold	-	(6,349,639)	(6,349,639)
Depreciation of property, plant and equipment	(160,501)	(133,401)	(293,902)
Impairment allowance	(4,653,675)	(234,643)	(4,888,318)
Other expenses	(5,750,515)	(3,027,279)	(8,777,794)
Finance costs	(1,462,751)	-	(1,462,751)
Profit/(Loss) before tax	11,175,148	244,135	11,419,283

Quarter Ended 31 March 2018

Revenue (External)	19,330,746	8,365,723	27,696,469
Other income	756,639	16,734	773,373
Cost of inventories sold	-	(5,145,803)	(5,145,803)
Depreciation of property, plant and equipment	(118,478)	(30,167)	(148,645)
Impairment allowance	(4,381,762)	(109,262)	(4,491,024)
Other expenses	(4,583,084)	(2,617,443)	(7,200,527)
Finance costs	(660,835)	(21,051)	(681,886)
Profit/(Loss) before tax	10,343,226	458,731	10,801,957

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
12 months Ended 31 March 2019			
Revenue (External)	84,900,357	38,493,813	123,394,170
Revenue (Inter-Segment)	-	-	-
Other income	2,397,330	141,343	2,538,673
Other income (Inter-Segment)	-	-	-
Cost of inventories sold	-	(24,438,855)	(24,438,855)
Depreciation of property, plant and equipment	(562,500)	(361,274)	(923,774)
Impairment allowance	(16,948,745)	(578,850)	(17,527,595)
Other expenses	(22,685,539)	(12,299,095)	(34,984,634)
Finance costs	(4,252,198)	-	(4,252,198)
Profit/(Loss) before tax	42,848,705	957,082	43,805,787
Segment assets	521,775,079	25,788,008	547,563,087
Segment liabilities	134,621,589	2,001,275	136,622,864

12 months Ended 31 March 2018

Revenue (External)	73,081,686	31,045,786	104,127,472
Other income	2,042,680	74,023	2,116,703
Cost of inventories sold	-	(19,422,362)	(19,422,362)
Depreciation of property, plant and equipment	(428,849)	(195,734)	(624,583)
Impairment allowance	(20,471,093)	(272,660)	(20,743,753)
Other expenses	(17,151,140)	(10,548,111)	(27,699,251)
Finance costs	(2,329,986)	(88,614)	(2,418,600)
Profit/(Loss) before tax	34,743,298	592,328	35,335,626
Segment assets	448,155,863	22,182,712	470,338,575
Segment liabilities	72,153,545	1,786,685	73,940,230

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2019

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 2019.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 31 March 2019.

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 2019.

A12 Related Party Disclosures

There was no significant related party transaction during the financial period ended 31 March 2019.

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2019

B1 Review Of Performance
CURRENT QUARTER (FY2019-Q4 vs FY2018-Q4)

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2019	31.03.2018	RM	%	31.03.2019	31.03.2018	RM	%
Revenue	32,463,959	27,696,469	4,767,490	17%	123,394,170	104,127,472	19,266,698	19%
Profit before interest and tax	12,882,034	11,483,843	1,398,191	12%	48,057,985	37,754,226	10,303,759	27%
Profit before taxation	11,419,283	10,801,957	617,326	6%	43,805,787	35,335,626	8,470,161	24%
GROUP	As at		Variance	Variance			Variance	Variance
	31.03.2019				31.03.2018			
	RM	RM	RM	%				
Hire Purchase Receivables	476,453,836	387,283,743	89,170,093	23%				
Total Borrowings	114,303,740	50,641,277	63,662,463	126%				

The Group's revenue increased by 17% to RM32.46 million. The Group's profit before tax increased by 6% to RM11.42 million. The increase in revenue was due to higher contribution from both of hire purchase segment and furniture segment for the quarter ended 31 March 2019. The increase in profit before tax was due to higher contribution from hire purchase segment for the quarter ended 31 March 2019.

Hire purchase receivables recorded a 23% growth year on year from RM387.28 million to RM476.45 million as at 31 March 2019. This was the key factor that led to the increase in hire purchase revenue for the current financial period.

Total borrowings increased by 126% mainly due to higher drawdown of block discounting facility during the current financial period to finance the increased hire purchase receivables. Nevertheless, the gearing ratio remains at a low level of 0.28 times as at 31 March 2019.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2019	31.03.2018	RM	%	31.03.2019	31.03.2018	RM	%
Revenue	22,529,361	19,330,746	3,198,615	17%	84,900,357	73,081,686	11,818,671	16%
Profit before interest and tax	12,637,899	11,004,061	1,633,838	15%	47,100,903	37,073,284	10,027,619	27%
Profit before taxation	11,175,148	10,343,226	831,922	8%	42,848,705	34,743,298	8,105,407	23%

Revenue increased by 17% to RM22.53 million, mainly due to increase in hire purchase portfolio.

Impairment allowance increased by 6% to RM4.65 million. However, credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 1.10% to 0.96%. The improvement in the credit loss charge was mainly due to stable domestic economic environment during the financial period under review and the Group's concerted efforts in credit recovery.

Other expenses increased by 25% to RM5.75 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 121% to RM1.46 million.

The profit before tax increased by 8% to RM11.18 million mainly due to increase in hire purchase portfolio for the quarter ended 31 March 2019.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2019	31.03.2018	RM	%	31.03.2019	31.03.2018	RM	%
Revenue	9,934,598	8,365,723	1,568,875	19%	38,493,813	31,045,786	7,448,027	24%
Profit before interest and tax	244,135	479,782	(235,647)	-49%	957,082	680,942	276,140	41%
Profit before taxation	244,135	458,731	(214,596)	-47%	957,082	592,328	364,754	62%

Revenue increased by 19% to RM9.93 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.

Other expenses increased by 16% to RM3.03 million mainly due to higher operating expenses which is in tandem with the higher sales.

The segment recorded a lower profit before tax of RM0.24 million mainly due to the lower gross profit margin and higher impairment allowance for the quarter ended 31 March 2019.

YEAR-TO-DATE (FY2019 YTD vs FY2018 YTD)

The Group's revenue increased by 19% to RM123.39 million, due to higher contribution from both hire purchase and furniture segment.

The Group's profit before tax increased by 24% to RM43.81 million, mainly contributed by the hire purchase segment.

Hire Purchase Segment

Revenue increased by 16% from RM73.08 million to RM84.90 million, mainly due to increase in hire purchase portfolio.

Impairment allowance decreased by 17% to RM16.95 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 5.45% to 3.81%. The improvement was mainly due to stable domestic economic environment during the financial period under review and the Group's concerted efforts in credit recovery.

Other expenses increased by 32% to RM22.69 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 83% to RM4.25 million.

The profit before tax increased by 23% to RM42.85 million mainly due to increase in hire purchase portfolio and lower impairment allowance for the twelve (12) months period ended 31 March 2019.

Furniture Segment

Revenue increased by 24% to RM38.49 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.

Impairment allowance increased by RM0.31 million to RM0.58 million, mainly due to slower payment from furniture dealers. Other expenses increased by 17% to RM12.30 million mainly due to higher operating expenses which is in tandem with the higher sales.

The segment recorded a higher profit before tax of RM0.96 million for the twelve (12) months period ended 31 March 2019 mainly due to higher revenue.

B2 Comparison of Results with Preceding Quarter

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	31.03.2019	31.12.2018		
	RM	RM	RM	%
Revenue	32,463,959	31,114,073	1,349,886	4%
Profit before interest and tax	12,882,034	11,244,152	1,637,882	15%
Profit before taxation	11,419,283	10,075,415	1,343,868	13%

The Group's profit before tax for the current quarter of RM11.42 million was higher as compared to RM10.08 million of the immediate preceding quarter mainly due to higher profit contribution from the hire purchase segment in the current quarter.

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2019

B3 Prospects and Outlook

Despite the uncertain global economic conditions ahead, the overall domestic macro-economic factors (i.e. labour market conditions, inflation outlook, cost of living) and general public sentiments remain stable. In view of this, the Group intends to maintain its momentum in growing its hire purchase portfolio in the financial year ending 31 March 2020 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 trading business will continue to focus its operations in the domestic wholesale market.

In view of the Group's growth momentum, the Board is optimistic that the Group's performance for the financial year ending 31 March 2020 is expected to be better than financial year ended 31 March 2019.

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 2019 are set out below:

	3 months ended	12 months ended
	31.03.2019	31.03.2019
	RM	RM
(a) Income Tax	2,919,165	10,869,421
(b) Deferred Taxation	(12,298)	20,448
	<u>2,906,867</u>	<u>10,889,869</u>

The effective tax rate of the Group for the financial period ended 31 March 2019 was higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes.

B6 Status of Corporate Proposals Announced

There are no corporate proposals announced for the Group as at the reporting date.

B7 Group Borrowings & Debt Securities

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

		As at	As at
		31.03.2019	31.03.2018
		RM	RM
Borrowings			
Block Discounting Payables	- within 1 year	50,223,162	21,205,294
(Fixed rate and secured)	- later than 1 year	64,080,578	29,435,983
		114,303,740	50,641,277
Debt Securities			
ICULS - liability component	- later than 1 year	629,435	2,260,704

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2019

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 final dividend of 3.50 sen per share (FY2018: 3.50 sen) in respect of the current financial year ending 31 March 2019. 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 3.50 sen per share (FY2018 : 3.25 sen) which was paid on 31 January 2019, the total dividend for the financial year ended 31 March 2019 would be 7.00 sen per share (FY2018 : 6.75 sen).

Upon shareholders' approval, the dividend payout for the financial year ended 31 March 2019 which represents approximately 63% 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 31.03.2019	Quarter ended 31.03.2018	Year to date ended 31.03.2019	Year to date ended 31.03.2018
Profit after taxation (RM)	8,512,416	7,909,951	32,915,918	25,923,642
Weighted average number of ordinary shares (units)	296,146,545	285,583,071	293,276,451	261,635,501
Basic earnings per ordinary share (sen)	2.87	2.77	11.22	9.91

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 31.03.2019	Quarter ended 31.03.2018	Year to date ended 31.03.2019	Year to date ended 31.03.2018
Profit after taxation (RM)	8,512,416	7,909,951	32,915,918	25,923,642
Interest expense on ICULS, net of tax (RM)	31,985	75,692	131,749	447,074
Adjusted profit after tax (RM)	8,544,401	7,985,643	33,047,667	26,370,716
Weighted average number of ordinary shares (units)	296,146,545	285,583,071	293,276,451	261,635,501
Adjustment for potential dilutive shares (units)	7,061,715	17,625,189	9,931,809	21,574,616
Adjusted weighted average number of ordinary shares (units)	303,208,260	303,208,260	303,208,260	283,210,117
Diluted earnings per ordinary share (sen)	2.82	2.63	10.90	9.31

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2018 was not qualified.

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

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2019

B12 Notes to the Statement of Comprehensive Income

	3 months ended 31.03.2019 RM	12 months ended 31.03.2019 RM
Profit before taxation is arrived at after charging:		
Interest expense	1,462,751	4,252,198
And crediting :		
Interest income	193,284	1,304,744
Unrealised foreign exchange (loss) / gain	(60,850)	45,306
Realised foreign exchange loss	-	57,156

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 31.03.2019 RM	As at 31.03.2018 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	92,571,839	97,021,116
- Unrealised	3,186,245	3,043,541
	<u>95,758,084</u>	<u>100,064,657</u>
Less: Consolidation adjustments	(34,857,916)	(34,895,499)
Total retained earnings as per consolidation accounts	<u>60,900,168</u>	<u>65,169,158</u>