

ELK-DESA[®]

ELK-DESA RESOURCES BERHAD

(Company No: 198901002858 (180164-X))

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
31 MARCH 2021**

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial period ended 31 March 2021
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM	RM	RM	RM
Revenue	38,751,329	37,500,248	143,751,399	147,970,336
Other income	1,069,264	1,276,269	3,713,521	4,011,832
Cost of inventories sold	(10,554,590)	(6,799,630)	(33,738,921)	(28,132,326)
Depreciation of PPE & right-of-use assets	(754,466)	(600,559)	(2,695,329)	(2,300,390)
Impairment allowance	1,194,189	(8,642,663)	(18,708,420)	(24,214,979)
Other expenses	(9,279,480)	(9,440,329)	(33,240,697)	(37,275,453)
Finance costs	(2,891,602)	(4,133,360)	(13,066,121)	(12,535,771)
Profit before taxation	17,534,644	9,159,976	46,015,432	47,523,249
Taxation	(3,371,270)	(2,593,803)	(10,730,012)	(12,634,607)
Profit for the financial period	14,163,374	6,566,173	35,285,420	34,888,642
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	14,163,374	6,566,173	35,285,420	34,888,642
Earnings per ordinary share - basic (sen)	4.77	2.21	11.87	11.75
Earnings per ordinary share - diluted (sen)	4.68	2.17	11.67	11.54

(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 2020)

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

(The figures have not been audited.)

	As at 31.03.2021 RM	As at 31.03.2020 RM
ASSETS		
Non-current assets		
Property, plant and equipment	11,069,698	10,621,921
Hire purchase receivables	385,842,527	466,156,634
Right-of-use assets	4,425,011	2,325,635
Deferred tax assets	8,830,394	5,232,016
	410,167,630	484,336,206
Current assets		
Inventories	9,073,407	12,386,172
Other assets	507,821	2,126,303
Trade receivables	17,311,074	13,912,372
Hire purchase receivables	136,954,548	144,264,976
Other receivables, deposits and prepayments	2,327,262	1,912,425
Current tax assets	48,240	-
Short term funds	15,461,222	14,042,200
Cash and bank balances	71,162,489	77,597,465
	252,846,063	266,241,913
Total assets	<u>663,013,693</u>	<u>750,578,119</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	344,449,188	344,340,237
Retained earnings	91,576,189	74,877,336
ICULS - equity component	5,805,076	5,895,891
Total equity	441,830,453	425,113,464
LIABILITIES		
Non-current liabilities		
ICULS - liability component	186,617	361,824
Block discounting payables - secured	76,707,640	112,969,929
Term loan - unsecured	10,314,000	14,322,000
Medium term notes	19,843,278	54,317,953
Lease liabilities	3,219,212	1,005,897
Deferred tax liabilities	862	-
	110,271,609	182,977,603
Current liabilities		
Trade payables	8,059,810	11,156,469
Other payables and accruals	7,802,936	8,204,201
Block discounting payables - secured	50,035,409	64,159,143
Term loan - unsecured	4,008,000	4,008,000
Medium term notes	34,474,675	49,474,675
Lease liabilities	1,303,103	1,387,690
Bank overdraft	262,576	149,838
Current tax liabilities	4,965,122	3,947,036
	110,911,631	142,487,052
Total liabilities	<u>221,183,240</u>	<u>325,464,655</u>
TOTAL EQUITY AND LIABILITIES	<u>663,013,693</u>	<u>750,578,119</u>
Net assets per share	1.49	1.43

(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 2020)

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 31 March 2021
(The figures have not been audited.)

	Number of Issued Shares Unit	Share Capital RM	Retained Earnings RM	ICULS - equity component RM	Total Equity RM
Balance as at 1 April 2019	296,148,507	343,162,661	60,900,167	6,877,394	410,940,222
Total comprehensive income	-	-	34,888,642	-	34,888,642
Issuance of shares upon conversion of ICULS	997,937	1,177,576	(115,474)	(981,503)	80,599
Final dividend for financial year ended 31 March 2019	-	-	(10,395,854)	-	(10,395,854)
Interim dividend for financial year ended 31 March 2020	-	-	(10,400,145)	-	(10,400,145)
Balance as at 31 March 2020	297,146,444	344,340,237	74,877,336	5,895,891	425,113,464
Balance as at 1 April 2020	297,146,444	344,340,237	74,877,336	5,895,891	425,113,464
Total comprehensive income	-	-	35,285,420	-	35,285,420
Issuance of shares upon conversion of ICULS	92,330	108,951	(12,983)	(90,815)	5,153
Second interim dividend for financial year ended 31 March 2020	-	-	(11,143,503)	-	(11,143,503)
Interim dividend for financial year ending 31 March 2021	-	-	(7,430,081)	-	(7,430,081)
Balance as at 31 March 2021	297,238,774	344,449,188	91,576,189	5,805,076	441,830,453

(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 2020)

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the financial period ended 31 March 2021

(The figures have not been audited.)

	12 months ended	
	31.03.2021 RM	31.03.2020 RM
<u>Cash flows from operating activities</u>		
Profit before taxation	46,015,432	47,523,249
Adjustment for :		
Depreciation of property, plant and equipment	1,192,703	934,563
Depreciation of right-of-use assets	1,502,626	1,365,827
Loss/(gain) on disposal of property, plant and equipment	(1,599)	-
Derecognition of right-of-use assets	(3,336)	-
Lease concession	(141,417)	-
Property, plant and equipment written off	165,437	1
Impairment allowances made for the financial year:		
- hire-purchase receivables	20,702,310	25,260,469
- trade receivables	87,645	613,933
Interest expense	12,911,482	12,368,794
Interest on lease liabilities	154,639	166,977
Interest income	(1,581,774)	(1,462,699)
Income from short term funds	(553,102)	(908,180)
Unrealised loss/(gain) on foreign exchange	79,878	(40,003)
Reversal of impairment losses on trade receivables	(159,236)	(64,647)
Operating profit before working capital changes	80,371,688	85,758,284
Changes in working capital:		
Inventories	3,312,765	(1,328,785)
Other assets	1,618,482	(814,000)
Hire purchase receivables	66,922,225	(159,228,243)
Trade receivables	(3,417,063)	(2,907,251)
Other receivables, deposits and prepayments	(414,837)	(129,292)
Trade payables	(3,096,659)	(2,758,734)
Other payables and accruals	214,375	1,670,661
	65,139,288	(165,495,644)
Cash generated from/(used in) operations	145,510,976	(79,737,360)
Tax paid	(13,359,310)	(13,146,974)
Tax refunded	-	37,733
Net cash from/(used in) operating activities	132,151,666	(92,846,601)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(1,823,418)	(889,205)
Net withdrawal/(placement) of fixed deposit with licensed banks with original maturity of more than three (3) months	61,971,224	(66,993,690)
Proceeds from disposal of property, plant and equipment	19,100	-
Interest received	1,581,774	1,462,699
Income received from short term funds	553,102	908,180
Net cash from/(used in) investing activities	62,301,782	(65,512,016)
<u>Cash flows from financing activities</u>		
Net (repayment)/drawdown of term loans	(4,008,000)	18,330,000
Net (repayment)/drawdown of block discounting payables	(50,581,352)	63,161,736
Interest paid	(12,964,819)	(11,210,063)
Repayment of lease liabilities	(1,483,160)	(1,464,852)
Dividend paid	(18,573,584)	(20,795,999)
(Repayment)/Issuance of medium term notes	(50,000,000)	105,000,000
Medium term notes issuance costs	-	(1,575,975)
Net cash from/(used in) financing activities	(137,610,915)	151,444,847

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the financial period ended 31 March 2021

(The figures have not been audited.)

	<u>12 months ended</u>	
	<u>31.03.2021</u>	<u>31.03.2020</u>
	<u>RM</u>	<u>RM</u>
Net increase/(decrease) in cash and cash equivalents during the financial period	56,842,533	(6,913,770)
Effects of exchange rate changes on cash and cash equivalents	(1)	1
Cash and cash equivalents as at beginning of financial year	24,496,137	31,409,906
Cash and cash equivalents as at end of financial period	<u>81,338,669</u>	<u>24,496,137</u>
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	71,162,489	77,597,465
Bank overdraft	(262,576)	(149,838)
Short term fund	15,461,222	14,042,200
Fixed deposit placed with licensed banks with original maturity of more than three (3) months	(5,022,466)	(66,993,690)
	<u>81,338,669</u>	<u>24,496,137</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 2020)

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 2020, 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 2020 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning or after 1 April 2020.

On 1 April 2020, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020 (early adoption)
Amendments to MFRS 4 <i>Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

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 year ended 31 March 2021.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 31 March 2021.

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 2021 except for the following:

Equity Securities

During the twelve months period under review, the Company had issued 92,330 new ordinary shares pursuant to conversions of 108,951 units of ICULS.

As at 31 March 2021, the number of ordinary shares were 297,238,774 shares. The number of outstanding ICULS stood at 7,043,910 units.

Debt Securities

In July 2020, the Group has redeemed its Senior Medium Term Notes amounting to RM 50 million.

A6 Dividend Paid

On 16 July 2020, the Company had paid a second interim single tier dividend of 3.75 sen per share in respect of the financial year ended 31 March 2020, the dividend amounting to RM11.14 million.

On 18 December 2020, the Company had paid a single-tier interim dividend of 2.50 sen per share for the financial year ending 31 March 2021 amounting to RM7.40 million.

A7 Segmental Reporting

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
<u>Quarter Ended 31 March 2021</u>			
Revenue (External)	23,500,074	15,251,255	38,751,329
Other income	858,961	210,303	1,069,264
Cost of inventories sold	-	(10,554,590)	(10,554,590)
Depreciation of PPE & right-of-use assets	(324,935)	(429,531)	(754,466)
Impairment allowance	1,446,323	(252,134)	1,194,189
Other expenses	(6,219,046)	(3,060,434)	(9,279,480)
Finance costs	(2,874,680)	(16,922)	(2,891,602)
Profit/(Loss) before tax	16,386,697	1,147,947	17,534,644
<u>Quarter Ended 31 March 2020</u>			
Revenue (External)	27,288,678	10,211,570	37,500,248
Other income	1,005,305	270,964	1,276,269
Cost of inventories sold	-	(6,799,630)	(6,799,630)
Depreciation of PPE & right-of-use assets	(211,790)	(388,769)	(600,559)
Impairment allowance	(8,511,861)	(130,802)	(8,642,663)
Other expenses	(6,682,398)	(2,757,931)	(9,440,329)
Finance costs	(4,100,002)	(33,358)	(4,133,360)
Profit/(Loss) before tax	8,787,932	372,044	9,159,976
<u>12 months Ended 31 March 2021</u>			
Revenue (External)	93,310,317	50,441,082	143,751,399
Other income	2,985,072	728,449	3,713,521
Cost of inventories sold	-	(33,738,921)	(33,738,921)
Depreciation of PPE & right of use assets	(1,076,847)	(1,618,482)	(2,695,329)
Impairment allowance	(18,666,959)	(41,461)	(18,708,420)
Other expenses	(21,786,860)	(11,453,837)	(33,240,697)
Finance costs	(12,983,865)	(82,256)	(13,066,121)
Profit/(Loss) before tax	41,780,858	4,234,574	46,015,432
Segment assets	628,086,627	34,927,066	663,013,693
Segment liabilities	216,540,718	4,642,522	221,183,240
<u>12 months Ended 31 March 2020</u>			
Revenue (External)	104,673,252	43,297,084	147,970,336
Other income	3,811,171	200,661	4,011,832
Cost of inventories sold	-	(28,132,326)	(28,132,326)
Depreciation of PPE & right-of-use assets	(756,129)	(1,544,261)	(2,300,390)
Impairment allowance	(23,656,214)	(558,765)	(24,214,979)
Other expenses	(25,703,391)	(11,572,062)	(37,275,453)
Finance costs	(12,376,951)	(158,820)	(12,535,771)
Profit/(Loss) before tax	45,991,738	1,531,511	47,523,249
Segment assets	718,562,358	32,015,761	750,578,119
Segment liabilities	320,424,658	5,039,997	325,464,655

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 2021.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 31 March 2021.

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 2021.

A12 Related Party Disclosures

There was no significant related party transaction during the financial period ended 31 March 2021.

B1 Review of Performance

CURRENT QUARTER (FY2021-Q4 vs FY2020-Q4)

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2021	31.03.2020			31.03.2021	31.03.2020		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	38,751,329	37,500,248	1,251,081	3%	143,751,399	147,970,336	(4,218,937)	-3%
Profit before interest and tax	20,426,246	13,293,336	7,132,910	54%	59,081,553	60,059,020	(977,467)	-2%
Profit before taxation	17,534,644	9,159,976	8,374,668	91%	46,015,432	47,523,249	(1,507,817)	-3%

GROUP	As at		Variance	Variance
	31.03.2021	31.03.2020		
	RM	RM		
Hire Purchase Receivables	522,797,075	610,421,610	(87,624,535)	-14%
Bank Borrowings	141,327,625	195,608,910	(54,281,285)	-28%
Medium Term Notes ("MTN")	54,317,953	103,792,628	(49,474,675)	-48%

The Group's revenue for the quarter increased marginally to RM38.75 million due to contribution from the furniture segment. Profit before tax for the quarter increased by 91% to RM17.53 million mainly due to significantly higher contribution from the hire-purchase segment.

Hire purchase receivables as at 31 March 2021 stood at RM522.80 million, which is 14% lower than the previous year.

The Group's bank borrowings decreased by 28% mainly due to repayment of block discounting facilities and term loans. MTNs were reduced by 48% due to a redemption of a senior note on its maturity date during the financial year. As at 31 March 2021, the Group's gearing remains at a low level of 0.44 times.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2021	31.03.2020			31.03.2021	31.03.2020		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	23,500,074	27,288,678	(3,788,604)	-14%	93,310,317	104,673,252	(11,362,935)	-11%
Profit before interest and tax	19,261,377	12,887,934	6,373,443	49%	54,764,723	58,368,689	(3,603,966)	-6%
Profit before taxation	16,386,697	8,787,932	7,598,765	86%	41,780,858	45,991,738	(4,210,880)	-9%

Revenue decreased by 14% to RM23.50 million, as a result of a smaller hire purchase portfolio during the quarter.

For the quarter, there was a reversal of impairment allowance amounting to RM1.45 million compared to an impairment allowance of RM8.51 million in the corresponding period of the last financial year. The reversal of impairment allowance was due to a significant decrease in the non-performing accounts during the quarter as a result of positive recovery activities and collection trend.

Other expenses reduced by 7% to RM6.22 million mainly due to lower operating costs as a result of lower staff costs. Cost to income ratio remains at a manageable level of 30%. Finance cost reduced by 30% to RM2.87 million due to lower borrowings.

The profit before tax increased by 86% to RM16.39 million mainly due to the reversal of impairment allowance during the quarter.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2021	31.03.2020			31.03.2021	31.03.2020		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	15,251,255	10,211,570	5,039,685	49%	50,441,082	43,297,084	7,143,998	16%
Profit before interest and tax	1,164,869	405,402	759,467	187%	4,316,830	1,690,331	2,626,499	155%
Profit before taxation	1,147,947	372,044	775,903	209%	4,234,574	1,531,511	2,703,063	176%

Revenue increased by 49% to RM15.25 million mainly due to significantly higher domestic sales. The furniture segment continued to experience a very vibrant business activity in the furniture industry as there was pent up consumer demand for home furnitures.

Impairment allowance increased by 93% to RM0.25 million due to slower repayment from furniture dealers during the quarter.

Other expenses increased by 11% to RM3.06 million mainly due to higher selling and distribution costs which is in tandem with the higher sales.

The segment recorded a higher profit before tax of RM1.15 million for the quarter ended 31 March 2021 mainly due to higher revenue.

YEAR-TO-DATE (FY2021 YTD vs FY2020 YTD)

The Group's revenue and profit before tax decreased by 3% to RM143.75 million and RM46.02 million respectively. The decrease in revenue and profit before tax were mainly due to lower contributions from the hire purchase segment for the financial year ended 31 March 2021.

Hire Purchase Segment

Revenue decreased by 11% from RM104.67 million to RM93.31 million, mainly due to lower hire purchase interest as well as lower new hire purchase disbursements.

Impairment allowance decreased by 21% to RM18.67 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 4.22% to 3.15%. The lower impairment allowance and credit loss charge were mainly due to lower losses incurred for repossession and impressive repayment efforts from the hire purchase customers, despite the unprecedented disruptions caused by the MCO and pandemic situation.

Other expenses decreased by 15% to RM21.79 million mainly due to lower staff costs. Cost to income ratio remains at a manageable level of 27%.

Finance cost increased by 5% to RM12.98 million mainly due to higher borrowings at the beginning of the financial year. The finance cost has been reducing gradually during the financial year as a result of the Group's concerted effort to pare down its borrowing.

The profit before tax for the twelve (12) months period decreased by 9% from RM46.00 million to RM41.78 million mainly due to lower hire purchase revenue.

Furniture Segment

Revenue increased by 16% to RM50.44 million mainly due to higher domestic sales. After the MCO was uplifted, the furniture segment experienced a very vibrant business activity in the furniture industry as there was pent up consumer demand for home furnitures.

Other income increased significantly by RM0.53 million mainly due to subsidies received under the wage subsidy programme that was implemented by the government to assist employers in retaining their workers.

Impairment allowance for the financial year decreased substantially to RM0.04 million from RM0.56 million a year ago, due to a significantly better repayment from furniture dealers.

Other expenses for the financial year decreased marginally to RM11.45 million.

The segment recorded a significantly higher profit before tax of RM4.24 million for the twelve (12) months period ended 31 March 2021 mainly due to higher sales, wage subsidies received, cost efficiencies and lower impairment allowances.

B2 Comparison of Results with Preceding Quarter

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	31.03.2021	31.12.2020		
	RM	RM	RM	%
Revenue	38,751,329	37,204,585	1,546,744	4%
Profit before interest and tax	20,426,246	15,399,523	5,026,723	33%
Profit before taxation	17,534,644	12,389,519	5,145,125	42%
Hire purchase receivables	522,797,075	523,125,242	(328,167)	0%
Bank borrowings	141,327,625	158,478,668	(17,151,043)	-11%
Medium term notes	54,317,953	54,186,622	131,331	0%

The Group's profit before tax for the current quarter of RM17.53 million was higher as compared to RM12.39 million of the immediate preceding quarter due to a higher profit contribution from the hire purchase segment in the current quarter.

B3 Prospects and Outlook

The operating landscape in the current financial year (FY2022) is expected to have less uncertainties compared to a year ago. This stems from the on-going roll-out of the national vaccination programme, positive outcome of the Government's economic stimulus packages and the gradual recovery of global trade and economy.

Nevertheless, uncertainties still persist. The Covid-19 crisis is far from over as the entire country was placed under Movement Control Order 3.0 starting from 12 May 2021. More MCOs in the foreseeable future cannot be ruled out.

Although Bank Negara Malaysia, in its Economic and Monetary Review 2020, expects the Malaysian economy to recover in 2021, the central bank also cautioned that recovery will be gradual and uneven across economic sectors, and that speed bumps can be expected.

As we move into the second half of 2021, ELK-Desa expects demand for used-car financing to remain strong on the back of stable macro-economic factors including manageable unemployment rate, improving consumer and business confidence as well as controllable inflation. Barring any unforeseen shocks to the economy, we anticipate demand to continue to out-pace supply as this niche market remains underserved.

Demand for hire purchase solutions may be strong but prolonged disruptions to the economy caused by the pandemic may eventually hamper our customers' ability to fulfill their loan obligations. Moving forward, ELK-Desa is maintaining its cautious stance to protect the quality of its assets while ensuring that its hire purchase receivables does not decline any further. In addition, the Group will also remain vigilant in credit risk management while continuing to improve operational efficiencies and optimise operating cost.

For the Group's furniture trading business, demand for furniture products is also expected to remain resilient. The lifestyle in the new normal will see more and more people working and studying from home. Hence, we foresee an uptrend in consumers spending to make their homes better equipped for work and study.

In spite of the increased demand for affordable quality furniture products, raw material supply locally and globally have been hampered by logistic problems due to the pandemic while travel restrictions as well as foreign labour policies have caused labour shortages. ELK-Desa aims to focus on overcoming these supply chain issues by working closely with our suppliers.

Concurrently, being a furniture wholesaler for the domestic market, ELK-Desa is also committed to building strong relationships with furniture retailers across Malaysia in order to solidify our brand presence and growth.

For the financial ending 31 March 2022, the Board of ELK-Desa will strive to maintain its performance levels in tandem with FY2021. The Board is also committed to delivering its dividend policy of distributing not less than 60% of the Group's annual net profits after tax to shareholders.

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 2021 are set out below:

	3 months ended 31.03.2021	12 months ended 31.03.2021
		RM
(a) Income Tax	5,166,317	14,329,156
(b) Deferred Taxation	(1,795,047)	(3,599,144)
	<u>3,371,270</u>	<u>10,730,012</u>

The effective tax rate of the Group for the current quarter ended 31 March 2021 was lower than the statutory tax rate mainly due to deferred tax assets arising from impairment allowance from hire purchase receivables.

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.

Borrowings		As at 31.03.2021	As at 31.03.2020
		RM	RM
Block Discounting Payables (Fixed rate and secured)	- within 1 year	50,035,409	64,159,143
	- later than 1 year	76,707,640	112,969,929
		126,743,049	177,129,072
Term Loan (Floating and unsecured)	- within 1 year	4,008,000	4,008,000
	- later than 1 year	10,314,000	14,322,000
		14,322,000	18,330,000
Bank overdraft		262,576	149,838
Total Borrowings		<u>141,327,625</u>	<u>195,608,910</u>
Debt Securities			
ICULS - liability component	- later than 1 year	186,617	361,824
Medium Term Notes	- within 1 year	34,474,675	49,474,675
	- later than 1 year	19,843,278	54,317,953
		54,317,953	103,792,628
Total Debt Securities		<u>54,504,570</u>	<u>104,154,452</u>

B8 Changes in Material Litigation

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

B9 Dividend

The Board of Directors has declared a second single tier interim dividend of 4.75 sen per share in respect of the financial year ended 31 March 2021. The dividend will be paid on 18 June 2021 to the shareholders whose name appears in the record of depositors of the Company as at 9 June 2021.

In addition to the first single tier interim dividend of 2.50 sen per share which was paid on 18 December 2020, the total dividend for the financial year ended 31 March 2021 would be 7.25 sen per share (FY2020: 7.25 sen). This represents a dividend payout ratio of approximately 61% of the net profit, which is higher than the dividend policy of 60% set by the Board.

With the declaration of the second interim dividend, the Board of Directors will not recommend any final dividend for the financial year ended 31 March 2021.

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 31.03.2021	Quarter ended 31.03.2020	Year to date 31.03.2021	Year to date 31.03.2020
Profit after taxation (RM)	14,163,374	6,566,173	35,285,420	34,888,642
Weighted average number of ordinary shares (units)	297,223,318	297,146,444	297,184,982	296,876,922
Basic earnings per ordinary share (sen)	4.77	2.21	11.87	11.75

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 31.03.2021	Quarter ended 31.03.2020	Year to date 31.03.2021	Year to date 31.03.2020
Profit after taxation (RM)	14,163,374	6,566,173	35,285,420	34,888,642
Interest expense on ICULS, net of tax (RM)	24,252	26,720	100,927	109,684
Adjusted profit after tax (RM)	14,187,626	6,592,893	35,386,347	34,998,326
Weighted average number of ordinary shares (units)	297,223,318	297,146,444	297,184,982	296,876,922
Adjustment for potential dilutive shares (units)	5,984,942	6,061,816	6,023,278	6,331,338
Adjusted weighted average number of ordinary shares (units)	303,208,260	303,208,260	303,208,260	303,208,260
Diluted earnings per ordinary share (sen)	4.68	2.17	11.67	11.54

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2020 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended 31.03.2021	12 months ended 31.03.2021 RM
Profit before taxation is arrived at after charging:		
Interest expense	2,815,321	12,911,482
Interest on lease liabilities	76,281	154,639
And crediting :		
Interest income	338,433	2,134,876
Unrealised foreign exchange gain / (loss)	21,238	(79,878)
Realised foreign exchange gain / (loss)	14,008	(75,308)

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 31.03.2021 RM	As at 31.03.2020 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	116,682,670	104,595,449
- Unrealised	8,785,606	5,145,178
	125,468,276	109,740,627
Less: Consolidation adjustments	(33,892,087)	(34,863,291)
Total retained earnings as per consolidation accounts	91,576,189	74,877,336