

ELK-DESA[®]

ELK-DESA RESOURCES BERHAD

(Company No: 198901002858 (180164-X))

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
31 March 2023**

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 2023

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM	RM	RM	RM
Revenue	40,295,065	35,960,333	155,242,052	128,893,853
Other income	335,000	818,537	1,848,172	2,419,881
Cost of inventories sold	(8,718,514)	(10,026,654)	(33,908,817)	(29,327,617)
Depreciation of PPE & right-of-use assets	(635,210)	(659,798)	(2,666,975)	(2,698,170)
Impairment allowance	(7,088,888)	(6,631,056)	(7,540,720)	(22,406,379)
Other expenses	(11,672,283)	(10,269,796)	(40,748,313)	(32,387,323)
Finance costs	(2,560,284)	(1,660,482)	(8,917,372)	(9,600,145)
Profit before taxation	9,954,886	7,531,084	63,308,027	34,894,100
Taxation	(2,462,800)	(1,994,452)	(15,572,549)	(9,120,458)
Profit for the financial period	7,492,086	5,536,632	47,735,478	25,773,642
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	7,492,086	5,536,632	47,735,478	25,773,642
Earnings per ordinary share - basic (sen)	1.65	1.23	10.50	5.74
Earnings per ordinary share - diluted (sen)	1.65	1.22	10.50	5.69

(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 2022)

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

As at 31 March 2023

(The figures have not been audited.)

	As at 31.03.2023 RM	As at 31.03.2022 RM
ASSETS		
Non-current assets		
Property, plant and equipment	33,200,590	11,181,923
Hire purchase receivables	430,791,408	336,249,132
Right-of-use assets	4,776,574	3,842,989
Deferred tax assets	12,889,992	12,275,500
	481,658,564	363,549,544
Current assets		
Inventories	17,221,446	11,946,537
Other assets	700,877	701,297
Trade receivables	17,623,180	16,459,842
Hire purchase receivables	144,311,538	131,801,653
Other receivables, deposits and prepayments	1,462,842	2,221,076
Current tax assets	402,140	423,603
Short term funds	11,251,658	43,277,806
Cash and bank balances	18,417,009	11,880,630
	211,390,690	218,712,444
Total assets	<u>693,049,254</u>	<u>582,261,988</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	351,493,098	344,898,934
Retained earnings	120,279,736	97,199,748
ICULS - equity component	-	5,430,218
Total equity	471,772,834	447,528,900
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	127,228,240	63,897,622
Term loan - unsecured	2,298,000	6,306,000
Lease liabilities	4,153,095	3,286,604
Deferred tax liabilities	-	2,168
	133,679,335	73,492,394
Current liabilities		
Trade payables	3,632,978	3,617,351
Other payables and accruals	7,852,595	6,965,474
ICULS - liability component	-	7,078
Block discounting payables - secured	64,474,434	42,729,205
Term loan - unsecured	4,008,000	4,008,000
Lease liabilities	935,904	734,027
Bank overdraft	999,968	322,400
Current tax liabilities	5,693,206	2,857,159
	87,597,085	61,240,694
Total liabilities	<u>221,276,420</u>	<u>134,733,088</u>
TOTAL EQUITY AND LIABILITIES	<u>693,049,254</u>	<u>582,261,988</u>
Net assets per share	1.04	1.50

(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 2022)

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 31 March 2023
(The figures have not been audited.)

	Number of Issued Shares Units	Share Capital RM	Retained Earnings RM	ICULS - equity component RM	Total Equity RM
Balance as at 1 April 2021	297,238,774	344,449,188	91,576,189	5,805,076	441,830,453
Total comprehensive income	-	-	25,773,642	-	25,773,642
Issuance of shares upon conversion of ICULS	381,139	449,746	(63,702)	(374,858)	11,186
Second interim dividend for financial year ended 31 March 2021	-	-	(14,134,472)	-	(14,134,472)
Interim dividend for financial year ended 31 March 2022	-	-	(5,951,909)	-	(5,951,909)
Balance as at 31 March 2022	297,619,913	344,898,934	97,199,748	5,430,218	447,528,900
Balance as at 1 April 2022	297,619,913	344,898,934	97,199,748	5,430,218	447,528,900
Total comprehensive income	-	-	47,735,478	-	47,735,478
Issuance of shares upon conversion of ICULS	5,587,206	6,594,164	(1,156,870)	(5,430,218)	7,076
Second interim dividend for financial year ended 31 March 2022	-	-	(9,854,277)	-	(9,854,277)
Interim dividend for financial year ended 31 March 2023	-	-	(13,644,343)	-	(13,644,343)
Bonus Issue	151,601,337	-	-	-	-
Balance as at 31 March 2023	454,808,456	351,493,098	120,279,736	-	471,772,834

(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 2022)

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

For the financial period ended 31 March 2023

(The figures have not been audited.)

	12 months ended	
	31.03.2023	31.03.2022
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	63,308,027	34,894,100
Adjustment for :		
Depreciation of property, plant and equipment	1,265,657	1,088,033
Depreciation of right-of-use assets	1,401,318	1,610,137
Gain on disposal of property, plant and equipment	(671)	(1,967)
Derecognition of right-of-use assets	(22,203)	-
Lease concession	-	(116,976)
Property, plant and equipment written off	5,487	-
Inventories written down	161,706	12,684
Impairment allowances made for the financial year:		
- hire-purchase receivables	8,045,634	23,495,777
- trade receivables	571,618	267,766
Interest expense	8,593,555	9,358,091
Interest on lease liabilities	323,817	242,054
Interest income	(421,222)	(571,385)
Income from short term funds	(57,841)	(1,190,627)
Unrealised loss/(gain) on foreign exchange	27,976	(28,670)
Operating profit before working capital changes	<u>83,202,858</u>	<u>69,059,017</u>
Changes in working capital:		
Inventories	(5,436,614)	(2,885,814)
Other assets	420	(193,476)
Hire purchase receivables	(115,097,794)	31,250,513
Trade receivables	(1,764,495)	613,700
Other receivables, deposits and prepayments	758,233	106,184
Trade payables	15,627	(4,442,459)
Other payables and accruals	1,111,764	(136,425)
	(120,412,859)	24,312,223
Cash (used in)/generated from operations	<u>(37,210,001)</u>	<u>93,371,240</u>
Tax paid	(13,331,699)	(15,051,117)
Net cash (used in)/from operating activities	(50,541,700)	78,320,123
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(23,289,811)	(1,228,591)
Net withdrawal of fixed deposit with licensed banks with original maturity of more than three (3) months	-	57,912,623
Withdrawals of deposits assigned in favour of the trustee	1,120,685	-
Proceeds from disposal of property, plant and equipment	672	30,300
Interest received	421,222	571,385
Income received from short term funds	57,841	1,190,627
Net cash (used in)/from investing activities	(21,689,391)	58,476,344

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

For the financial period ended 31 March 2023

(The figures have not been audited.)

	12 months ended	
	31.03.2023	31.03.2022
	RM	RM
<u>Cash flows from financing activities</u>		
Net repayment of term loans	(4,008,000)	(4,008,000)
Net drawdown/(repayment) of block discounting payables	85,375,704	(20,214,929)
Interest paid	(9,116,496)	(9,444,757)
Repayment of lease liabilities	(1,568,149)	(1,654,876)
Dividend paid	(23,498,620)	(20,086,381)
Repayment of medium term notes	-	(55,000,000)
Net cash from/(used in) financing activities	47,184,439	(110,408,943)
Net (decrease)/increase in cash and cash equivalents during the financial period	(25,046,652)	26,387,524
Cash and cash equivalents as at beginning of financial year	53,715,351	27,327,827
Cash and cash equivalents as at end of financial period	28,668,699	53,715,351
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	18,417,009	11,880,630
Bank overdraft	(999,968)	(322,400)
Short term fund	11,251,658	43,277,806
Deposits assigned in favour of the trustee of SPE	-	(1,120,685)
	28,668,699	53,715,351

(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 2022)

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2023

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 2022, 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 2022 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 2022.

On 1 April 2022, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title		Effective Date
Annual Improvements to MFRS Standards 2018 - 2020		1 January 2022
Amendments to MFRS 3	<i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116	<i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

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 2023.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 31 March 2023.

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 2023 except for the following:

Equity Securities

The eight (8) years ICULS programme ended on its maturity date on 15 April 2022 and all remaining 6,594,164 ICULS had been converted to 5,587,206 ordinary shares during the financial period.

New Issue of Securities

On 21 March 2023, MIDF Amanah Investment Bank Berhad had, on behalf of our Board, announced that the bonus issue of 151,601,337 new ELK-Desa shares on the basis of 1 new share for every 2 existing shares has been completed.

As at 31 March 2023, the number of ordinary shares were 454,808,456 shares.

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2023

A6 Dividend Paid

On 16 June 2022, the Company had paid a second interim single tier dividend of 3.25 sen per share in respect of the financial year ended 31 March 2022, the dividend amounting to RM9.85 million.

On 16 December 2022, the Company had paid a single-tier interim dividend of 4.50 sen per share (3.00 sen per share after restated for bonus issue) for the financial year ended 31 March 2023 amounting to RM13.64 million.

A7 Segmental Reporting

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
<u>Quarter Ended 31 March 2023</u>			
Revenue (External)	26,242,242	14,052,823	40,295,065
Other income	302,711	32,289	335,000
Cost of inventories sold	-	(8,718,514)	(8,718,514)
Depreciation of PPE & right-of-use assets	(366,100)	(269,110)	(635,210)
Impairment allowance	(6,791,001)	(297,887)	(7,088,888)
Other expenses	(8,461,487)	(3,210,796)	(11,672,283)
Finance costs	(2,509,034)	(51,250)	(2,560,284)
Profit before tax	8,417,331	1,537,555	9,954,886
<u>Quarter Ended 31 March 2022</u>			
Revenue (External)	21,449,676	14,510,657	35,960,333
Other income	710,182	108,355	818,537
Cost of inventories sold	-	(10,026,654)	(10,026,654)
Depreciation of PPE & right-of-use assets	(341,956)	(317,842)	(659,798)
Impairment allowance	(6,516,666)	(114,390)	(6,631,056)
Other expenses	(6,880,016)	(3,389,780)	(10,269,796)
Finance costs	(1,646,570)	(13,912)	(1,660,482)
Profit before tax	6,774,650	756,434	7,531,084

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2023

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
<u>12 months ended 31 March 2023</u>			
Revenue (External)	100,758,282	54,483,770	155,242,052
Other income	1,588,951	259,221	1,848,172
Cost of inventories sold	-	(33,908,817)	(33,908,817)
Depreciation of PPE & right of use assets	(1,433,658)	(1,233,317)	(2,666,975)
Impairment allowance	(6,986,805)	(553,915)	(7,540,720)
Other expenses	(27,344,671)	(13,403,642)	(40,748,313)
Finance costs	(8,761,716)	(155,656)	(8,917,372)
Profit before tax	57,820,383	5,487,644	63,308,027
Segment assets	628,760,230	64,289,024	693,049,254
Segment liabilities	215,809,031	5,467,389	221,276,420
<u>12 months ended 31 March 2022</u>			
Revenue (External)	85,300,811	43,593,042	128,893,853
Other income	2,019,143	400,738	2,419,881
Cost of inventories sold	-	(29,327,617)	(29,327,617)
Depreciation of PPE & right-of-use assets	(1,377,993)	(1,320,177)	(2,698,170)
Impairment allowance	(22,154,427)	(251,952)	(22,406,379)
Other expenses	(21,521,323)	(10,866,000)	(32,387,323)
Finance costs	(9,543,542)	(56,603)	(9,600,145)
Profit before tax	32,722,669	2,171,431	34,894,100
Segment assets	544,227,643	38,034,345	582,261,988
Segment liabilities	130,944,403	3,788,685	134,733,088

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 2023.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 31 March 2023.

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 2023.

A12 Related Party Disclosures

The Group had on 28 June 2022 entered into a related party transaction with Zhongxin Realty Sdn Bhd for the purchase of a piece of freehold industrial land together with buildings erected. The proposed acquisition had been completed on 1 September 2022. Refer to Company's announcement for more details.

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2023

B1 Review of Performance**YEAR TO DATE AND CURRENT QUARTER (FY2023-Q4 vs FY2022-Q4)**

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2023	31.03.2022			31.03.2023	31.03.2022		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	40,295,065	35,960,333	4,334,732	12%	155,242,052	128,893,853	26,348,199	20%
Profit before interest and tax	12,515,170	9,191,566	3,323,604	36%	72,225,399	44,494,245	27,731,154	62%
Profit before taxation	9,954,886	7,531,084	2,423,802	32%	63,308,027	34,894,100	28,413,927	81%

GROUP	As at		Variance	Variance
	31.03.2023	31.03.2022		
	RM	RM		
Hire Purchase Receivables	575,102,946	468,050,785	107,052,161	23%
Bank Borrowings	199,008,642	117,263,227	81,745,415	70%

The Group's revenue for the quarter increased by 12% to RM40.30 million mainly due to higher contribution from hire purchase segment. Profit before tax for the quarter increased by 32% to RM9.95 million mainly due to higher contribution from both hire purchase and furniture segments.

Hire purchase receivables as at 31 March 2023 stood at RM575.10 million, which is 23% higher than the previous year.

The Group's bank borrowings increased by 70% as a result of higher drawdown of block discounting facilities to support the increased hire purchase receivables. As at 31 March 2023, the Group's gearing remained at a low level of 0.42 times.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2023	31.03.2022			31.03.2023	31.03.2022		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	26,242,242	21,449,676	4,792,566	22%	100,758,282	85,300,811	15,457,471	18%
Profit before interest and tax	10,926,365	8,421,220	2,505,145	30%	66,582,099	42,266,211	24,315,888	58%
Profit before taxation	8,417,331	6,774,650	1,642,681	24%	57,820,383	32,722,669	25,097,714	77%

Revenue increased by 22% to RM26.24 million mainly due to increase in hire purchase portfolio.

Impairment allowance increased by 4% to RM6.79 million mainly due to slower hirer repayment. Despite increase of impairment allowance for the quarter, credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 1.27% to 1.09% due to a larger hire purchase portfolio. Net impaired loans ratio increased from 1.58% as at 31 December 2022 to 1.92% as at 31 March 2023.

Other expenses increased by 23% to RM8.46 million mainly due to higher operating and staff costs. Cost to income ratio stood at 37%. Finance cost increased by 52% to RM2.51 million mainly due to the higher block discount interest expenses as a result of higher drawdown of block discounting facilities to support the increased hire purchase receivables.

The profit before tax increased by 24% to RM8.42 million mainly due to a larger hire purchase portfolio that was offset by higher operating and finance costs during the quarter.

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2023

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2023	31.03.2022	RM	%	RM	RM	RM	%
Revenue	14,052,823	14,510,657	(457,834)	-3%	54,483,770	43,593,042	10,890,728	25%
Profit before interest and tax	1,588,805	770,346	818,459	106%	5,643,300	2,228,034	3,415,266	153%
Profit before taxation	1,537,555	756,434	781,121	103%	5,487,644	2,171,431	3,316,213	153%

Revenue decreased by 3% to RM14.05 million mainly due to lower furniture sales in this quarter as compared to the previous corresponding quarter. Despite the marginally decrease in revenue, the gross profit margin increased from 31% to 38% mainly due to significant lower freight charges. This resulted in higher gross profit of RM5.33 million as compared to RM4.48 million in the previous correspondence quarter.

Other expenses decreased by 5% to RM3.21 million mainly due to lower staff costs.

The segment recorded a higher profit before tax of RM1.54 million mainly due to better gross profit margin for the quarter ended 31 March 2023.

YEAR-TO-DATE (FY2023 vs FY2022)

The Group's revenue increased by 20% to RM155.24 million while the profit before tax increased by 81% to RM63.31 million. The higher revenue and profit before tax were due to higher contribution from both hire purchase and furniture segments.

Hire Purchase Segment

Revenue increased by 18% to RM100.76 million mainly due to increase in hire purchase portfolio.

Impairment allowance decreased by 68% to RM6.99 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 4.13% to 1.23%. The exceptionally low credit loss charge was a result of positive recovery activities and our hirers' continuous repayment trend in FY2023 especially in the first quarter of the financial year. Net impaired loans ratio decreased from 2.89% as at 31 March 2022 to 1.92% as at 31 March 2023.

Other expenses increased by 27% to RM27.34 million mainly due to higher operating and staff costs which were in line with the larger hire purchase portfolio. Cost to income ratio remained at a manageable level of 31%.

Finance cost decreased by 8% to RM8.76 million mainly due to full redemption of Medium Term Notes but was offset by the higher block discount interest expenses as a result of higher drawdown of block discounting facilities to support the increased hire purchase receivables.

The profit before tax for the twelve (12) months period increased by 77% from RM32.72 million to RM57.82 million mainly due to larger hire purchase portfolio and lower impairment allowance but offset by the higher operating costs.

Furniture Segment

Revenue increased by 25% to RM54.48 million mainly due to higher furniture sales in this financial year as compared to business and operational disruptions caused by the Movement Control Order implemented by the Government from June to September 2021 in light of the COVID-19 crisis during last financial year ended 31 March 2022.

Other expenses increased by 23% to RM13.40 million mainly due to higher selling, distribution and staff costs which was in line with the increase in furniture sales.

The segment recorded a significantly higher profit before tax of RM5.49 million for the twelve (12) months period ended 31 March 2023 mainly due to higher furniture sales as well as increase gross profit margin from 33% to 38%.

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2023

B2 Comparison of Results with Preceding Quarter

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	31.03.2023	31.12.2022	RM	%
Revenue	40,295,065	39,953,805	341,260	1%
Profit before interest and tax	12,515,170	17,288,349	(4,773,179)	-28%
Profit before taxation	9,954,886	14,750,738	(4,795,852)	-33%
Hire purchase receivables	575,102,946	560,305,680	14,797,266	3%
Bank borrowings	199,008,642	198,567,087	441,555	0%

The Group's profit before tax for the current quarter of RM9.95 million was lower as compared to RM14.75 million of the immediate preceding quarter mainly due to a lower profit contribution from hire purchase segment in the current quarter.

B3 Prospects and Outlook

The Malaysian economy is expected to expand at a more moderate pace amid a challenging external environment, according to Bank Negara Malaysia's ("BNM") fourth quarter report of 2022. The BNM indicated that domestic demand will continue to drive growth, supported by the continued recovery in the labour market and the realisation of multi-year investment projects. Nevertheless, economic uncertainties remain as a result of weaker global growth, tighter financial conditions, re-escalation of geopolitical conflicts and worsening supply chain disruptions.

In Malaysia, headline inflation continued to moderate, but core inflation has persisted above historical averages. As such, in spite of the resilient domestic economy and better job security, Malaysian consumers, especially in the M40 and B40 segments, are experiencing higher cost of living and tighter disposable incomes. This may impact their propensity to purchase 'big ticket' items such as a used car and furniture or affect their ability to repay loans.

For the Hire Purchase segment, ELK-Desa is confident that demand for used car financing will continue to out-strip supply, more so within the niche and underserved used car financing market that it operates in. The Group intends to continue to grow its hire purchase receivables in FY2024, albeit at a more moderate pace.

In FY2023, the Group's net hire purchase receivables had recovered by 21% to RM623.51 million which is near to its pre-covid levels. In the current financial year FY2024, the Group is not expecting a similar sharp expansion in view of the macro-economic uncertainties within its operating landscape. In addition to inflationary pressures, the used car financing industry may also require process changes to adapt to the new regulatory oversight by the Consumer Credit Oversight Board, which is expected to come into effect in 2024.

In FY2024, ELK-Desa will remain focused on reducing its impaired loans ratio, which remained relatively high due to the operational disruptions caused by the Movement Control Order as well as our adherence to the COVID-19 Act that had limited our credit recovery efforts.

For the Furniture segment, ELK-Desa will stay on track with its strategic direction to grow organically, focusing on the domestic wholesale market to distribute its furniture products to more than 800 furniture retailers throughout Malaysia, especially in Sabah and Sarawak. The Group will continue to source for quality and affordable furniture in order to address the potentially tighter disposable incomes faced by consumers.

ELK-Desa recorded a remarkably strong performance in FY2023 due to the high levels of reversal of impairment allowances in the first half of the financial year. These exceptional reversals are not expected to continue into FY2024 and as such, the Group does not expect its performance to exceed FY2023. Nevertheless, the Board of Directors remains committed towards achieving sustainable growth in FY2024.

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 2023 are set out below:

	3 months ended	12 months ended
	31.03.2023	31.03.2023
	RM	RM
(a) Income Tax	4,287,210	16,189,208
(b) Deferred Taxation	(1,824,410)	(616,659)
	<u>2,462,800</u>	<u>15,572,549</u>

The effective tax rate of the Group for the current quarter ended 31 March 2023 was higher than the statutory tax rate mainly due to certain expenses which were not deductible for tax purposes.

B6 Status of Corporate Proposals Announced

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

B7 Group Borrowings & Debt Securities

The Group did not have any borrowings or debt securities that were denominated in foreign currency.

		As at	As at
		31.03.2023	31.03.2022
		RM	RM
Borrowings			
Block Discounting Payables	- within 1 year	64,474,434	42,729,205
(Fixed rate and secured)	- later than 1 year	127,228,240	63,897,622
		191,702,674	106,626,827
Term Loan	- within 1 year	4,008,000	4,008,000
(Floating and unsecured)	- later than 1 year	2,298,000	6,306,000
		6,306,000	10,314,000
Bank overdraft		999,968	322,400
Total Borrowings		<u>199,008,642</u>	<u>117,263,227</u>
Debt Securities			
ICULS - liability component	- within 1 year	-	7,078
Total Debt Securities		<u>-</u>	<u>7,078</u>

B8 Changes in Material Litigation

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

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2023

B9 Dividend

The Board of Directors has declared a second single tier interim dividend of 3.50 sen per share in respect of the current financial year ended 31 March 2023. The dividend will be paid on 22 June 2023 to the shareholders whose name appear in the record of depositors of the Company as at 9 June 2023.

In addition to the first interim single tier interim dividend of 4.50 sen per share (3.00 sen per share after restated for bonus issue) which was paid on 16 December 2022, the total dividend for the financial year ended 31 March 2023 would be 6.50 sen per share (FY2022: 3.50 sen after restated for bonus issue). This represents a dividend pay out ratio of approximately 62% 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 2023.

B10 Earnings Per Share

Basic earnings per share was calculated by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the financial period.

	Quarter ended 31.03.2023	Quarter ended 31.03.2022	Year to date 31.03.2023	Year to date 31.03.2022
Profit after taxation (RM)	7,492,086	5,536,632	47,735,478	25,773,642
Weighted average number of ordinary shares	454,808,456	449,199,489	454,426,181	449,137,498
Basic earnings per ordinary share (sen)	1.65	1.23	10.50	5.74

Comparative figures for the weighted average number of ordinary shares used in the calculation of basic earnings per share have been restated to reflect the increase number of shares arising from the bonus issue during the year. Prior to the restatement, the basic earnings per ordinary share for the financial quarter and financial year ended 31 March 2022 were 1.86 sen and 8.66 sen respectively.

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 31.03.2023	Quarter ended 31.03.2022	Year to date 31.03.2023	Year to date 31.03.2022
Profit after taxation (RM)	7,492,086	5,536,632	47,735,478	25,773,642
Interest expense on ICULS, net of tax (RM)	(110)	21,356	1,699	89,047
Adjusted profit after tax (RM)	7,491,976	5,557,988	47,737,177	25,862,689
Weighted average number of ordinary shares (units)	454,808,456	449,199,489	454,426,181	449,137,498
Adjustment for potential dilutive shares (units)	-	5,610,108	382,275	5,672,099
Adjusted weighted average number of ordinary shares (units)	454,808,456	454,809,597	454,808,456	454,809,597
Diluted earnings per ordinary share (sen)	1.65	1.22	10.50	5.69

Comparative figures for the weighted average number of ordinary shares used in the calculation of diluted earnings per share have been restated to reflect the increase number of shares arising from the bonus issue during the year. Prior to the restatement, the diluted earnings per ordinary share for financial quarter and financial year ended 31 March 2022 were 1.83 sen and 8.53 sen respectively.

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements
for the fourth quarter ended 31 March 2023

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2022 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended 31.03.2023 RM	12 months ended 31.03.2023 RM
Profit before taxation is arrived at after charging:		
Interest expense	2,468,667	8,593,555
Interest on lease liabilities	91,617	323,817
And crediting :		
Interest	83,099	479,063
Unrealised foreign exchange gain / (loss)	(25,089)	(27,976)
Realised foreign exchange gain / (loss)	(31,527)	(341,654)

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 31.03.2023 RM	As at 31.03.2022 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	142,078,260	119,680,770
- Unrealised	12,889,992	12,273,802
	<u>154,968,252</u>	<u>131,954,572</u>
Less: Consolidation adjustments	(34,688,516)	(34,754,824)
Total retained earnings as per consolidation accounts	<u><u>120,279,736</u></u>	<u><u>97,199,748</u></u>