HLB Atrede

Directors' Statement and
Audited Financial Statements

Apollo Tyres Holdings (Singapore) Pte. Ltd.

(Co. Reg. No. 201019159E)

For the year ended 31 March 2019

Apollo Tyres Holdings (Singapore) Pte. Ltd.
(Co. Reg. No. 201019159E)

General Information

Directors

Sunam Sarkar	
Jean-Luc Laurent Labouchеix	
Akshaykumar Narendrasinhji Chudasama	(Appointed on 1 April 2019)
Ravi Kumar Shingari	(Appointed on 13 May 2019)
Rohit Arora	(Appointed on 31 May 2018 and resigned on 13 May 2019)
Anil Chopra	(Resigned on 31 May 2018)

Secretaries

Ong Bee Choo
Pan Mi Keay

Independent Auditor

HLB Atrede LLP

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Apollo Tyres Holdings (Singapore) Pte. Ltd.
(Co. Reg. No. 201019159E)

Directors' Statement

The directors are pleased to present their statement to the member together with the audited financial statements of Apollo Tyres Holdings (Singapore) Pte. Ltd. (the "Company") for the financial year ended 31 March 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Sunam Sarkar
Jean-Luc Laurent Laboucheix
Akshaykumar Narendrasinhji Chudasama
Ravi Kumar Shingari

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of financial year or at the end of financial year.

5. OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company was granted.

6. OPTIONS EXERCISED

During the financial year, there were no shares of the Company issued by virtue of the exercise of options to take up unissued shares.

7. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the Company under option.

8. INDEPENDENT AUDITOR

The independent auditor, HLB Atrede LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Sunam Sarkar
Director

Jean-Luc Laurent Laboucheix
Director

Singapore
13 May 2019

Independent Auditor's Report
to the member of Apollo Tyres Holdings (Singapore) Pte. Ltd.
(Co. Reg. No. 201019159E)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Apollo Tyres Holdings (Singapore) Pte. Ltd. (the "Company"), which comprise the balance sheet as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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Independent Auditor's Report
to the member of Apollo Tyres Holdings (Singapore) Pte. Ltd. – continued
(Co. Reg. No. 201019159E)

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report
to the member of Apollo Tyres Holdings (Singapore) Pte. Ltd. – continued
(Co. Reg. No. 201019159E)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report
to the member of Apollo Tyres Holdings (Singapore) Pte. Ltd. – continued
(Co. Reg. No. 201019159E)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

HLB Atrede LLP
Public Accountants and
Chartered Accountants

Singapore
13 May 2019

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Apollo Tyres Holdings (Singapore) Pte. Ltd.
(Co. Reg. No. 201019159E)

Balance Sheet as at 31 March 2019

	Note	2019 US$	2018 US$
Non-current assets			
Plant and equipment	4	146,207	223,600
Investment in joint venture	5	–	–
Investment in subsidiaries	6	6,636,266	6,636,266
		6,782,473	6,859,866
Current assets			
Inventories	7	20,370,993	22,573,511
Other receivables	8	434,402	2,060,999
Amounts due from ultimate holding company	9	71,085,810	88,584,089
Amounts due from immediate holding company	10	1,802	–
Amounts due from related companies	11	9,314,193	6,236,122
Amounts due from joint venture	12	–	–
Cash and cash equivalents	13	736,177	594,297
		101,943,377	120,049,018
Current liabilities			
Trade payables	14	25,421,628	33,602,488
Other payables	15	652,107	605,982
Contract liabilities	16	20,598,193	18,590,832
Amounts due to a related company	17	27,094	94,400
Loan from a subsidiary	18	2,022,222	–
Short term borrowings	19	26,432,091	51,951,484
Tax payable	20	1,240,280	1,121,696
		76,393,615	105,966,882
Net current assets		25,549,762	14,082,136
Net assets		32,332,235	20,942,002
Equity attributable to owner of the Company			
Share capital	21	13,110,195	13,110,195
Accumulated profits		19,222,040	7,831,807
Total equity		32,332,235	20,942,002

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

Apollo Tyres Holdings (Singapore) Pte. Ltd.
(Co. Reg. No. 201019159E)

Statement of Comprehensive Income for the financial year ended 31 March 2019

	Note	2019 US$	2018 US$
Revenue	22	498,374,992	424,624,901
Cost of sales		(481,680,177)	(410,216,234)
Gross profit		16,694,815	14,408,667
Other operating income	23	3,015,714	2,623,655
Administrative expenses		(5,130,479)	(4,536,975)
Distribution costs		(396,553)	(306,756)
Other (charges)/credits	24	(183,858)	119,282
Finance costs	25	(1,340,607)	(811,059)
Profit before tax	26	12,659,032	11,496,814
Income tax expense	27	(1,268,799)	(1,118,488)
Profit for the year		11,390,233	10,378,326
Other comprehensive income		–	–
Total comprehensive income for the year		11,390,233	10,378,326

Statement of Changes in Equity
Year ended 31 March 2019

	Share capital US$	**Accumulated profits** US$	**Total** US$
Balance at 1 April 2017	8,110,195	(546,519)	7,563,676
Total comprehensive income for the year	–	10,378,326	10,378,326
Dividend paid (Note 28)	–	(2,000,000)	(2,000,000)
Issuance of ordinary shares (Note 21)	5,000,000	–	5,000,000
Balance at 31 March 2018	13,110,195	7,831,807	20,942,002
Total comprehensive income for the year	–	11,390,233	11,390,233
Balance at 31 March 2019	13,110,195	19,222,040	32,332,235

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

Apollo Tyres Holdings (Singapore) Pte. Ltd.
(Co. Reg. No. 201019159E)

Cash Flow Statement for the financial year ended 31 March 2019

	2019 US$	2018 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,659,032	11,496,814
Adjustments for:		
Depreciation	83,218	95,862
Gain on disposal of plant and equipment	–	(3,590)
Interest expense	1,340,607	811,059
Interest income – margin deposits	–	(198)
– amounts due from immediate holding company	(1,802)	(20,187)
Plant and equipment written off	1,641	–
Unrealised exchange loss/(gain)	150,266	(103,193)
Operating cash flows before working capital changes	14,232,962	12,276,567
Decrease/(increase) in inventories	2,202,518	(1,009,598)
Decrease/(increase) in other receivables	1,626,597	(387,725)
Decrease/(increase) in amounts due from ultimate holding company	17,486,337	(33,483,783)
Increase in amounts due from related companies	(3,111,423)	(1,171,922)
Decrease in margin deposits	–	1,355,668
(Decrease)/increase in trade payables, other payables and contract liabilities	(6,127,374)	14,445,800
Cash generated from/(used in) operations	26,309,617	(7,974,993)
Income received	–	20,385
Interest paid	(1,318,385)	(811,059)
Income tax paid	(1,168,617)	(494,905)
Income tax refund	18,402	7,346
Net cash flows from/(used in) operating activities	23,841,017	(9,253,226)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(7,466)	(142,100)
Proceeds from disposal of plant and equipment	–	3,590
Investment in a subsidiary	–	(5,000,000)
Net cash flows used in investing activities	(7,466)	(5,138,510)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	–	5,000,000
(Increase)/decrease in amounts due from ultimate holding company	(36,973)	458,802
(Increase)/decrease in amounts due from related companies	(68,708)	71,590
(Decrease)/increase in amounts due to a related company	(67,306)	94,400
Increase in amounts due to subsidiary	2,000,000	–
(Decrease)/increase in short term borrowings	(25,518,684)	11,156,418
Dividends paid on ordinary shares	–	(2,000,000)
Net cash flows (used in)/from financing activities	(23,691,671)	14,781,210
Net increase in cash and cash equivalents	141,880	389,474
Cash and cash equivalents at beginning of year	594,297	204,823
Cash and cash equivalents at end of year	736,177	594,297

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

These notes are an integral part of and should be read in conjunction with the accompanying financial statements.

1. CORPORATE INFORMATION

The Company is a private company limited by shares incorporated and domiciled in Singapore.

The immediate holding company is Apollo Tyres Coöperatief U.A., incorporated in Netherlands and its ultimate holding company is Apollo Tyres Ltd, incorporated in India and listed on the India Stock Exchange.

The registered office and principal place of business of the Company is located at 9 Temasek Boulevard #42-01 Suntec Tower 2, Singapore 038989.

The principal activities of the Company is that of trading of natural rubber.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation*

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except where otherwise described in the accounting policies below.

The financial statements are presented in United States Dollar (USD or US$) and all values are rounded to the nearest one-dollar unless otherwise stated.

The accounting policies adopted are consistent with those used in the previous financial year except in current financial year, the Company has adopted all applicable new and revised standards and Interpretations of FRS ("INT FRS"). The adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Company for the current or prior financial years.

The Company applied FRS 109 and FRS 115 for the first time. The nature and effect of the changes as a result of the adopting of these new accounting standards are described below:

FRS 109 *Financial Instruments*

FRS 109 *Financial Instruments* replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

FRS 109 *Financial Instruments* (continued)

Classification and measurement

Under FRS 109, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of FRS 109 did not have a significant impact on the Company.

Impairment

The adoption of FRS 109 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing FRS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. FRS 109 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The adoption of new impairment model under FRS 109 does not affect the carrying amount of the Company's financial asset carried at amortised cost.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. FRS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

FRS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Under FRS 115, revenue recognised prior to the date on which it is invoiced to the customer is recognised as a contract asset. The Company does not have any contract assets at the date of initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

FRS 115 *Revenue from Contracts with Customers* (continued)

The contract liability balance includes an amount of US$18,590,832 reclassified from advance billing to customers which was previously included as part of other payable. This had no impact on the statement of comprehensive income.

Standards issued but not yet effective

The Company has not adopted the following standards and interpretations which are potentially relevant to the Company that has been issued but not yet effective:

	Effective date (Annual periods beginning on or after)
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (March 2018):	
– Amendment to FRS 12 *Income Taxes*	1 January 2019
– Amendment to FRS 23 *Borrowing Costs*	1 January 2019
INT FRS 123: *Uncertainty over Income Tax Treatments*	1 January 2019

Except for FRS 116, the directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS is described below.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. FRS 116 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Company plans to adopt FRS 116 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 April 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

Standards issued but not yet effective (continued)

FRS 116 *Leases* (continued)

On the adoption of FRS 116, the Company expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if FRS 116 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 April 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 April 2019.

In addition, the Company plans to elect the following practical expedients:

(i) not to reassess whether a contract is, or contains a lease at the date of initial application and to apply FRS 116 to all contracts that were previously identified as leases;

(ii) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 April 2019; or

(iii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Company has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Company adopts FRS 116 in 2019.

Consolidated Financial Statements (Non-consolidated)

The financial statements of the subsidiary has not been consolidated with the Company's financial statements as the Company itself is a wholly owned subsidiary of Apollo Tyres Coöperatief U.A., incorporated in Netherlands. The ultimate holding company is Apollo Tyres Ltd, incorporated in India, which prepares consolidated financial statements on a worldwide basis. Such financial statements are publicly available.

The registered address of Apollo Tyres Ltd is 3rd Floor, Areekal Mansion, Near Manorama Junction, Panampilly Nagar, Kochi 682036, Kerala.

Investment in subsidiary in the financial statements of the Company are stated at cost, less any impairment in recoverable value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ***Functional and foreign currency***

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be USD.

Foreign currency transactions

Transactions in foreign currencies are measured in USD and are recorded on initial recognition at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-translated to the functional currency at the rate of exchange ruling at the end of the reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(c) ***Plant and equipment***

All items of plant and equipment are initially recorded at cost. Subsequent to initial recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Computer and software	–	3 years
Furniture and fixtures	–	5 years
Office equipment	–	5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(e) *Joint venture*

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Investment in joint venture in the Company's joint venture is stated at cost less accumulated impairment loss.

The investment in joint venture is not accounted for using the equity method as the Company itself is a wholly owned subsidiary of Apollo Tyres Coöperatief U.A., incorporated in Netherlands. The ultimate holding company is Apollo Tyres Ltd, incorporated in India, which prepares consolidated financial statements on a worldwide basis. Such financial statements are publicly available.

The registered address of Apollo Tyres Ltd is 3rd Floor, Areekal Mansion, Near Manorama Junction, Panampilly Nagar, Kochi 682036, Kerala.

(f) *Financial instruments*

(i) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial instruments (continued)*

(i) *Financial assets (continued)*

Subsequent measurement

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(ii) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Financial instruments (continued)*

(iii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(g) *Impairment of financial assets*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(i) significant financial difficulty of the issuer or the borrower;
(ii) a breach of contract, such as a default or past due event;
(iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(v) the disappearance of an active market for that financial asset because of financial difficulties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Impairment of financial assets (continued)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the procedures for recovery of amounts due.

(h) *Contract balances*

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

(i) *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that a non-financial asset, may be impaired. If any such an indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Trading goods – first-in-first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurred.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank.

(l) *Trade and other payables*

Trade and other payables are non-interest bearing and trade payables are normally settled on 30 to 60 days' terms while other payables have an average term of six months.

(m) *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) *Provisions (continued)*

If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) *Borrowing costs*

Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in the period they occur.

(o) *Employee benefits*

(i) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

In particular, the Company makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(ii) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(p) *Operating leases*

Leases where the lessor effectively retains substantially all the risks and benefits of ownerships of the leased are classified as operating leases.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(q) *Revenue*

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) *Revenue (continued)*

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(i) *Sales of goods*

Revenue from sale of goods is recognised at the point in time when control of the goods has transferred, being when the goods have been delivered to customer's specific location.

(ii) *Rendering of services*

The Company provides business advisory services to its ultimate holding company and global supply chain services to its related companies. Revenue from services rendered is recognised over time in the accounting period in which the services are rendered.

(iii) *Interest income*

Interest income is recognised using the effective interest method.

(r) *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

(s) *Share capital*

Ordinary shares

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) *Taxes*

(i) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income taxes are recognised in the profit or loss except to the extent that tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) *Taxes (continued)*

(iii) *Goods and services tax*

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- Where the goods and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(u) *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:
- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, and disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(i) *Judgement made in applying accounting policies*

There were no material judgements made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(ii) *Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

- *Useful lives of plant and equipment*

  The cost of plant and equipment is depreciated on a straight-line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 5 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised. The carrying amount of the plant and equipment at the end of each reporting period is disclosed in Note 4 to the financial statements.

- *Calculation of expected credit loss ("ECL")*

  When measuring ECL, the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

  Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

  Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) *Key sources of estimation uncertainty (continued)*

- *Impairment in investment in joint venture*

When a joint venture is in net equity deficit and has suffered operating losses, a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset affected.

4. PLANT AND EQUIPMENT

	Computers and software US$	Furniture and fixtures US$	Office equipment US$	Total US$
Cost:				
At 1 April 2017	104,800	170,046	58,006	332,852
Additions	9,205	114,179	18,716	142,100
Disposal	(8,224)	–	–	(8,224)
At 31 March 2018 and 1 April 2018	105,781	284,225	76,722	466,728
Additions	3,236	4,230	–	7,466
Written off	–	(7,022)	–	(7,022)
At 31 March 2019	109,017	281,433	76,722	467,172
Accumulated depreciation:				
At 1 April 2017	59,784	72,334	23,372	155,490
Charge for the year	35,473	46,613	13,776	95,862
Disposal	(8,224)	–	–	(8,224)
At 31 March 2018 and 1 April 2018	87,033	118,947	37,148	243,128
Charge for the year	12,388	55,707	15,123	83,218
Written off	–	(5,381)	–	(5,381)
At 31 March 2019	99,421	169,273	52,271	320,965
Net carrying amount:				
At 31 March 2018	18,748	165,278	39,574	223,600
At 31 March 2019	9,596	112,160	24,451	146,207

5. INVESTMENT IN A JOINT VENTURE

	2019 US$	2018 US$
Investment in joint venture at cost	3,126,622	3,126,622
Less: Impairment loss	(3,126,622)	(3,126,622)
	–	–

The details of the joint venture are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2019 %	2018 %
PanAridus LLC *	United States of America	Research and development activities towards development of seed for rubber plantation	50	50

* Unaudited.

The impairment loss of US$3,126,622 had been recognised in financial year 2017. The impairment loss had arisen as a result of a joint venture being loss making and is not expected to generate sufficient positive cash flows to cover the cost of investment.

6. INVESTMENT IN SUBSIDIARIES

	2019 US$	2018 US$
Unquoted shares, at cost	6,636,266	6,636,266

The details of the subsidiaries are as follows:

Name and principal activities	Country of incorporation	Cost of investments 2019 US$	2018 US$	Proportion of ownership interest 2019 %	2018 %
Apollo Tyres (Malaysia) Sdn. Bhd. (Sales of natural rubber and related products)	Malaysia	1,636,266	1,636,266	100	100
ATL Singapore Pte. Ltd. (Trading of rubber based derivatives)	Singapore	5,000,000	5,000,000	100	100
		6,636,266	6,636,266		

7. INVENTORIES

	2019 US$	2018 US$
Goods-in-transit	20,370,993	22,573,511
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	481,680,177	410,216,234

8. OTHER RECEIVABLES

Advance billing from suppliers	–	1,695,345
Deposits	154,136	162,280
GST receivables	8,850	7,172
Prepayments	260,580	185,392
Staff entrance	10,814	10,810
Sundry receivables	22	–
	434,402	2,060,999

Included in other receivables is an amount of US$173,822 (2018: US$180,262) denominated in Singapore Dollar.

9. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY

Trade	70,609,448	88,144,700
Non-trade	476,362	439,389
	71,085,810	88,584,089

The amounts due are unsecured, interest-free, repayable upon demand and to be settled in cash.

Included in amounts due from ultimate holding company is an amount of US$1,030,271 (2018: US$3,293,512) denominated in Euro.

10. AMOUNTS DUE FROM IMMEDIATE HOLDING COMPANY

The amounts due are non-trade related, unsecured, bears an interest rate of 4.2425% (2018: Nil%) per annum, repayable upon demand and to be settled in cash.

11. AMOUNTS DUE FROM RELATED COMPANIES

	2019 US$	2018 US$
Trade	9,221,507	6,212,144
Non-trade	92,686	23,978
	9,314,193	6,236,122

The amounts due are unsecured, interest-free, repayable upon demand and to be settled in cash.

Included in amounts due from related companies is an amount of US$5,808,009 (2018: US$5,932,453) denominated in Euro.

12. AMOUNTS DUE FROM JOINT VENTURE

Non-trade	108,167	108,167
Less: Provision of expected credit loss	(108,167)	(108,167)
	–	–

The amounts due are unsecured, bears an interest rate of 5.5% (2018: 5.5%) per annum, repayable upon demand and to be settled in cash.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents denominated in foreign currencies as at 31 March are as follows:

Euro	97,597	419,038
Singapore Dollar	137,073	113,362

14. TRADE PAYABLES

Included in trade payables is an amount of US$2,208,938 (2018: US$3,745,676) denominated in Euro.

15. OTHER PAYABLES

Accrued liabilities	287,331	201,199
Accrued salaries and related costs	272,389	254,954
Sundry payables	92,387	149,829
	652,107	605,982

Other payables denominated in foreign currencies as at 31 March are as follows:

Euro	540	1,153
Singapore Dollar	307,780	277,447

16. CONTRACT LIABILITIES

Contract liabilities are relating to advance billing to customer for the sales of goods to be delivered. The revenue relating to the sales of goods is recognised upon the goods are received by customers.

17. AMOUNTS DUE TO A RELATED COMPANY

The amounts due are non-trade related, unsecured, interest-free, repayable upon demand and to be settled in cash.

The amounts due is denominated in Pound Sterling at the end of reporting period.

18. LOAN FROM A SUBSIDIARY

The loan from a subsidiary is unsecured, bears an interest rate of 2.5% (2018: Nil%) per annum, repayable upon demand and to be settled in cash.

19. SHORT TERM BORROWINGS

	2019 US$	**2018** US$
Trade financing (unsecured)	26,432,091	51,951,484

The borrowings bear interest rate ranging from 0.55% to 3.1601% (2018: 0.55% to 2.5469%) per annum and are guaranteed by a letter of conform from ultimate holding company, Apollo Tyres Ltd.

Included in the borrowings is an amount of US$1,698,220 (2018: US$3,848,156) denominated in Euro.

A reconciliation of liabilities arising from financing activities is as follows:

Company	**2018**	**Cash flows**	**Non-cash changes Foreign exchange movement**	**2019**
	US$	US$	US$	US$
Short term borrowings	51,951,484	(25,518,684)	(709)	26,432,091

20. TAX PAYABLE

	2019 US$	2018 US$
Balance at beginning of year	1,121,696	490,767
Current year's tax expense	1,262,604	1,118,488
Income tax paid	(1,168,617)	(494,905)
Income tax refund	18,402	7,346
Under provision in of prior year	6,195	–
Balance at end of year	1,240,280	1,121,696

21. SHARE CAPITAL

	2019		2018	
	Number of shares	US$	Number of shares	US$
Issued and fully paid ordinary shares:				
At beginning of year	15,565,383	13,110,195	10,565,383	8,110,195
Issued during the year	–	–	5,000,000	5,000,000
At end of year	15,565,383	13,110,195	15,565,383	13,110,195

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value carry one vote per share without restriction.

22. REVENUE

Revenue represents sales of goods in the normal course of business. The timing of goods transferred is at the point in time.

23. OTHER OPERATING INCOME

	2019 US$	2018 US$
Business advisory services rendered	2,841,727	2,497,821
Government grants – PIC cash payout	–	2,118
– Temporary employment credit	24,497	5,035
Interest income on:		
– amounts due from immediate holding company	1,802	20,187
– margin deposit	–	198
Sundry income	3,904	3,052
Supply chain management services rendered	143,784	95,244
	3,015,714	2,623,655

24. OTHER (CHARGES)/CREDITS

	2019 US$	2018 US$
Fair value loss on future contract	–	(111,090)
Foreign exchange adjustments, (loss)/gain	(182,217)	226,782
Gain on disposal of plant and equipment	–	3,590
Plant and equipment written off	(1,641)	–
	(183,858)	119,282

25. FINANCE COSTS

Interest expenses on:		
– Loan from a subsidiary	22,222	–
– Short-term borrowings	1,318,385	811,059
	1,340,607	811,059

26. PROFIT BEFORE TAX

The profit before tax is arrived at after charging:

Legal and professional fee	571,393	424,902
Management fee	471,402	535,619
Procurement fee	399,350	327,405
Staff benefits	69,500	58,447
Travelling	302,748	273,694

27. INCOME TAX EXPENSE

(i) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 March 2019 and 2018 are:

Statement of comprehensive income:

Current tax	1,262,604	1,118,488
Under provision in prior year	6,195	–
	1,268,799	1,118,488

27. INCOME TAX EXPENSE (continued)

(ii) *Relationship between tax expense and accounting profit*

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 March 2019 and 2018 are as follows:

	2019 US$	2018 US$
Profit before tax	12,659,032	11,496,814
Tax expense on profit before tax at 17%	2,152,035	1,954,459
Adjustments:		
Non-taxable income	–	(970)
Non-deductible expenses	20,477	38,488
Approved donation	(9,054)	(304)
Tax exemptions	(230)	(2,046)
Tax rebate	(7,364)	(7,372)
Under provision in prior year	6,195	–
Deferred taxation not recognised	(3,454)	(6,517)
Under provision of current year income tax	(519)	(41,258)
Concessionary tax rate	(889,287)	(815,992)
Total tax expense	1,268,799	1,118,488

In July 2015, the Company granted a 3 + 2 years Development and Expansion Incentive (DEI) by the Minister of Trade and Industry at a concessionary tax rate of 10% for income derived from qualifying transaction of approved activities of the Company subject to compliance with the relevant rules and regulations.

The income derived from the non-qualifying activities are taxed at the applicable corporate tax rate of 17%.

28. DIVIDEND PAID

Interim Tax Exempt (One-tier) Dividend declared and paid during the financial year: – Ordinary shares US$Nil (2018: $0.13) per share for financial year ended 31 March 2018	–	2,000,000

29. DEFERRED TAXATION

Deferred tax liability:		
Difference in depreciation	16,261	16,481
Deferred tax liability on temporary differences not recognised	(16,261)	(16,481)
Balance	–	–

30. EMPLOYEE BENEFITS

	2019 US$	2018 US$
Employee benefits expenses (including directors):		
Salaries and bonuses	2,372,111	2,117,809
Central provident fund contributions	129,471	101,553
Others	237,387	228,635
	2,738,969	2,447,997

31. OPERATING LEASE COMMITMENTS

The Company has entered into commercial leases mainly on office equipment, office and warehouse premises and motor vehicle leases. These leases have tenures between 3 and 5 years with no renewal option or contingent rent provision included in the contracts. There is no restriction placed upon the Company by entering into these leases.

Future minimum rental payable under non-cancellable leases as at the end of reporting period are as follows:

	2019 US$	2018 US$
Not later than one year	597,933	553,442
Later than one year but not later than five years	503,195	975,353
	1,101,128	1,528,795

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 March 2019 amounted to US$541,150 (2018: US$481,370).

32. RELATED PARTY DISCLOSURES

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties that took place at terms agreed between the parties during the financial year:

(i) *Significant related party transactions*

	2019 US$	2018 US$
Related company		
Sales	27,982,070	27,844,190
Management fee	471,402	535,619
Supply chain management services rendered	143,784	95,244
Ultimate holding company		
Business advisory services	2,841,727	2,497,821
Sales	470,392,922	396,780,711
Expenses paid on behalf by	205,141	98,062
Procurement fee	399,350	327,405
Reimbursement expenses	244,591	176,879
Received on behalf of	847,201	–

32. RELATED PARTY DISCLOSURES (continued)

(i) *Significant related party transactions (continued)*

	2019 US$	2018 US$
Immediate holding company		
Loan	1,000,000	14,833,279
Interest income	1,802	20,187
Subsidiary		
Loan from	2,000,000	–

(ii) *Compensation of key management personnel*

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company. The directors of the Company and the general management of the Company are considered as key management personnel of the Company.

Directors' remuneration	1,310,182	1,130,260

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's risk management policies focus on the unpredictability of financial markets and seek to, where appropriate, minimise potential adverse effects on the financial performance of the Company. The Company does not have any written financial risk management policies and guidelines and there has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Company's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for the management of these risks.

(i) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Company and the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their short term borrowings, interest-bearing loans given to related parties, investments in debt securities and cash and cash equivalent.

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts as well as by rolling over its borrowings on a short-term basis.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) ***Interest rate risk (continued)***

Sensitivity analysis for interest rate risk

Movements in interest rates will have an impact on the Company's loans and borrowings. A change of 75 basis points (bp) in interest rates at the reporting date would change equity and profit before tax by US$198,241 (2018: US$389,636). This analysis assumes that all other variables remain constant.

(ii) ***Foreign currency risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency. The foreign currencies in which these transactions are denominated are mainly Singapore Dollar (SGD) and Euro (EUR). The Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures. The Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes.

However, the Company does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in the SGD and EUR, with all other variables held constant.

	Profit before tax	
	2019	**2018**
	US$	US$
SGD		
– strengthened 3% (2018: 6%)	93	(1,037)
– weakened 3% (2018: 6%)	(93)	1,037
EUR		
– strengthened 8% (2018: 15%)	255,923	315,315
– weakened 8% (2018: 15%)	(255,923)	(315,315)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from both trade and non-trade amounts due from ultimate holding company and related companies. Guidelines on credit terms provided to trade customers are established and continually monitored. For cash and cash equivalents, the Company minimises credit risk by dealing exclusively with reputable and well-established local and foreign banks, and companies with high credit ratings and no history of defaults.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposures. Credit policies with guidelines on credit terms and limits set the basis for risk control.

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise credit risk, the Company has developed and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and has no realistic prospect of recovery.	Amount is written off

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) *Credit risk (continued)*

The tables below detail the credit quality of the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	External credit rating	Category	12-month or lifetime ECL	Gross carrying amount US$	Loss allowance US$	Net carrying amount US$
2019							
Other receivables	8	N.A.	Performing	12m ECL	173,822	–	173,822
Amounts due from ultimate holding company	9	N.A.	Performing	12m ECL	71,085,810	–	71,085,810
Amounts due from immediate holding company	10	N.A.	Performing	12m ECL	1,802	–	1,802
Amounts due from related companies	11	N.A.	Performing	12m ECL	9,314,193	–	9,314,193
Amounts due from joint venture	12	N.A.	In default	Lifetime ECL	108,167	(108,167)	–
						(108,167)	
2018							
Other receivables	8	N.A.	Performing	12m ECL	180,262	–	180,262
Amounts due from ultimate holding company	9	N.A.	Performing	12m ECL	88,584,089	–	88,584,089
Amounts due from related companies	11	N.A.	Performing	12m ECL	6,236,122	–	6,236,122
Amounts due from joint venture	12	N.A.	In default	Lifetime ECL	108,167	(108,167)	–
						(108,167)	

No expected credit loss been provided for amounts due from ultimate holding company and amounts due from related companies as majority of the amounts due is trade in natures and both ultimate holding company and related companies always settled the debts within the credit term given.

Exposure to credit risk

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet. No other financial assets carry a significant exposure to credit risk.

Credit risk concentration profile

The Company has no significant concentration of credit risk. The maximum exposures to credit risk in relation to each class of recognised financial assets other than derivatives is represented by the carrying amount of each financial assets as indicated in the balance sheet.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) ***Credit risk (continued)***

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due not impaired are creditworthy debtors with good payment record with the Company. Cash and cash equivalents and derivatives, that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 (Amounts due to joint venture).

(iv) ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from possible mismatches of the maturities of financial assets and liabilities.

The Company maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities, including maintaining the flexibility of funding through the use of stand-by credit facilities. Management monitors this regularly to keep its liquidity risk to an appropriate level.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on contractual undiscounted repayment obligations is within one year.

34. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting period by FRS 109 categories.

	2019 US$	**2018** US$
Financial assets at amortised cost		
Other receivables	164,972	173,090
Amounts due from ultimate holding company	71,085,810	88,584,089
Amounts due from immediate holding company	1,802	–
Amounts due from related companies	9,314,193	6,236,122
Cash and cash equivalents	736,177	594,297
	81,302,954	95,587,598

34. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (continued)

	2019 US$	2018 US$
Financial liabilities at amortised cost		
Trade payables	25,421,628	33,602,488
Other payables	652,107	605,982
Amounts due to a related company	27,094	94,400
Loan from a subsidiary	2,022,222	–
Short term borrowings	26,432,091	51,951,484
	54,555,142	86,254,354

35. FAIR VALUE OF ASSETS AND LIABILITIES

The fair value of an asset or a liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amount of financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

However, the Company does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

At the end of the reporting period, the Company does not have any other asset or liability carried at fair value.

36. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2019 and 31 March 2018. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company is not subjected to externally imposed capital requirements.

The Company will continue to be guided by prudent financial policies of which gearing is an important aspect.

36. CAPITAL MANAGEMENT (continued)

	2019 US$	2018 US$
Trade and other payables	26,073,735	34,208,470
Amounts due to a related company	27,094	94,400
Loan from a subsidiary	2,022,222	–
Short term borrowings	26,432,091	51,951,484
Less: Cash and cash equivalents	(736,177)	(594,297)
Net debt	53,818,965	85,660,057
Equity attributable to the owner of the Company	32,332,235	20,942,002
Total capital	32,332,235	20,942,002
Capital and net debt	86,151,200	106,602,059
Gearing ratio	62%	80%

37. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on 13 May 2019.