

*Directors' Statement and
Audited Financial Statements*

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

For the year ended 31 March 2018

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

General Information

Directors

Sunam Sarkar
Anil Chopra
Jean-Luc Laurent Laboucheix

Secretary

Ong Bee Choo
Pan Mi Keay

Independent Auditor

HLB Atrede LLP

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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 2018.

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 2018 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
Anil Chopra
Jean-Luc Laurent Laboucheix

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.

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

Directors' Statement – continued

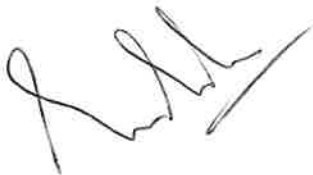
7. UNISSUED SHARES UNDER OPTION

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

Singapore
2 May 2018



Anil Chopra
Director

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 2018, 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 2018 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.

**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.

A handwritten signature in blue ink, appearing to read 'J. B. Atrede'.

HLB Atrede LLP
Public Accountants and
Chartered Accountants

Singapore
2 May 2018

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

Balance Sheet as at 31 March 2018

	Note	2018 US\$	2017 US\$
Non-current assets			
Plant and equipment	4	223,600	177,362
Investment in joint venture	5	–	–
Investment in subsidiaries	6	<u>6,636,266</u>	<u>1,636,266</u>
		<u>6,859,866</u>	<u>1,813,628</u>
Current assets			
Inventories	7	22,573,511	21,563,913
Other receivables	8	2,060,999	1,673,274
Amounts due from ultimate holding company	9	88,584,089	55,513,350
Amounts due from related companies	10	6,236,122	5,059,252
Amounts due from joint venture	11	–	–
Margin deposits		–	1,355,668
Cash and cash equivalents	12	<u>594,297</u>	<u>204,823</u>
		<u>120,049,018</u>	<u>85,370,280</u>
Current liabilities			
Trade payables	13	33,602,488	20,732,383
Other payables	14	19,196,814	17,621,119
Amounts due to a related company	15	94,400	–
Short term borrowings	16	51,951,484	40,775,963
Tax payable	17	<u>1,121,696</u>	<u>490,767</u>
		<u>105,966,882</u>	<u>79,620,232</u>
Net current assets		14,082,136	5,750,048
Net assets		<u>20,942,002</u>	<u>7,563,676</u>
Equity attributable to owner of the Company			
Share capital	18	13,110,195	8,110,195
Accumulated losses		<u>7,831,807</u>	<u>(546,519)</u>
Total equity		<u>20,942,002</u>	<u>7,563,676</u>

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 2018

	Note	2018 US\$	2017 US\$
Revenue	19	424,624,901	217,415,072
Cost of sales		<u>(410,216,234)</u>	<u>(210,961,969)</u>
Gross profit		14,408,667	6,453,103
Other operating income	20	2,623,655	2,598,354
Administrative expenses		(4,536,975)	(3,827,332)
Distribution costs		(306,756)	(358,603)
Other credits/(charges)	21	119,282	(2,674,074)
Finance costs	22	<u>(811,059)</u>	<u>(275,592)</u>
Profit before tax	23	11,496,814	1,915,856
Income tax expense	24	<u>(1,118,488)</u>	<u>(491,917)</u>
Profit for the year		10,378,326	1,423,939
Other comprehensive income		—	—
Total comprehensive income for the year		<u>10,378,326</u>	<u>1,423,939</u>

Statement of Changes in Equity
Year ended 31 March 2018

	Share capital US\$	Accumulated losses US\$	Total US\$
Balance at 1 April 2016	7,083,647	(2,004,168)	5,079,479
Total comprehensive income for the year	—	1,423,939	1,423,939
Translation adjustment	(600,894)	33,710	(567,184)
Issuance of ordinary shares	<u>1,627,442</u>	—	<u>1,627,442</u>
Balance at 31 March 2017	8,110,195	(546,519)	7,563,676
Total comprehensive income for the year	—	10,378,326	10,378,326
Dividend paid (Note 25)	—	(2,000,000)	(2,000,000)
Issuance of ordinary shares (Note 18)	<u>5,000,000</u>	—	<u>5,000,000</u>
Balance at 31 March 2018	<u>13,110,195</u>	<u>7,831,807</u>	<u>20,942,002</u>

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 2018

	2018 US\$	2017 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,496,814	1,915,856
Adjustments for:		
Depreciation	95,862	81,302
Gain on disposal of plant and equipment	(3,590)	–
Impairment loss on investment in joint venture	–	3,126,622
Allowance for impairment on amounts due from joint venture	–	108,167
Interest expense	811,059	275,592
Interest income – margin deposits	(198)	(361)
– amount due from joint venture	–	(5,500)
– amounts due from immediate holding company	(20,187)	–
Translation adjustment	–	(182,206)
Unrealised exchange gain	(103,193)	–
Operating cash flows before working capital changes	<u>12,276,567</u>	<u>5,319,472</u>
Increase in inventories	(1,009,598)	(16,109,135)
Increase in other receivables	(387,725)	(637,121)
Increase in amounts due from ultimate holding company	(33,483,783)	(38,789,004)
Increase in amounts due from related companies	(1,171,922)	(1,494,355)
Decrease in net derivative financial instruments	–	58,420
Decrease/(increase) in margin deposits	1,355,668	(462,696)
Increase in trade payables and other payables	14,445,800	26,864,979
Cash used in operations	<u>(7,974,993)</u>	<u>(25,249,440)</u>
Income received	20,385	361
Interest paid	(811,059)	(275,592)
Income tax paid	(494,905)	(44,084)
Income tax refund	7,346	–
Net cash flows used in operating activities	<u>(9,253,226)</u>	<u>(25,568,755)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(142,100)	(31,451)
Proceeds from disposal of plant and equipment	3,590	–
Investment in a subsidiary	(5,000,000)	(1,636,266)
Net cash flows used in investing activities	<u>(5,138,510)</u>	<u>(1,667,717)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	5,000,000	1,627,442
Decrease/(increase) in amounts due from ultimate holding company	458,802	(21,226)
Decrease in amounts due from related companies	71,590	–
Increase in amounts due to a related company	94,400	–
Increase in short term borrowings	11,156,418	25,697,324
Dividends paid on ordinary shares	(2,000,000)	–
Net cash flows from financing activities	<u>14,781,210</u>	<u>27,303,540</u>
Net increase in cash and cash equivalents	389,474	67,068
Cash and cash equivalents at beginning of year	204,823	137,755
Cash and cash equivalents at end of year	<u>594,297</u>	<u>204,823</u>

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

Notes to the Financial Statements – 31 March 2018

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 FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company.

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 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

Standards issued but not yet effective (continued)

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 FRS 116 is described below.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Company is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

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.

(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.

Notes to the Financial Statements – 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 assets*

Initial recognition and measurement

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

When a financial asset is recognised initially, an entity shall measure it 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 or issue of financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial assets (continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(ii) *Held-to-maturity investment*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold the investments to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(iii) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets include equity and debt securities. Equity investment classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for liquidity or in response to changes in the market conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial assets (continued)*

Subsequent measurement (continued)

(iv) *Available-for-sale financial assets (continued)*

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses arising from changes in the fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Derecognition

A financial asset is derecognised when 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 is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(g) *Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) *Financial assets carried at amortised cost (continued)*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) *Financial assets carried at cost*

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) the impairment loss is recognised and the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Notes to the Financial Statements – 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iii) *Available-for-sale financial assets (continued)*

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

(h) *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.

(i) *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.

When a financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of financial liability.

Notes to the Financial Statements – 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Financial liabilities (continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Company has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) *Financial liabilities at amortised cost*

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 derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(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.
- Finished goods and work-in-progress – purchase cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in-first-out basis.

Notes to the Financial Statements – 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Inventories (continued)*

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. 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.

Notes to the Financial Statements – 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Sales of goods*

Revenue from sale is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) *Revenue (continued)*

(ii) *Rendering of services*

Revenue from rendering of services that are of short duration is recognised when the services are completed.

(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.

(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.

Notes to the Financial Statements – 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) *Taxes (continued)*

(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.

Notes to the Financial Statements – 31 March 2018

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).

Notes to the Financial Statements – 31 March 2018

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) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed 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 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.

▪ *Impairment of loans and receivables*

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Notes to the Financial Statements – 31 March 2018

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 2016	74,649	169,929	56,823	301,401
Additions	30,151	117	1,183	31,451
At 31 March 2017 and 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	105,781	284,225	76,722	466,728
Accumulated depreciation:				
At 1 April 2016	24,228	38,129	11,831	74,188
Charge for the year	35,556	34,205	11,541	81,302
At 31 March 2017 and 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	87,033	118,947	37,148	243,128
Net carrying amount:				
At 31 March 2017	45,016	97,712	34,634	177,362
At 31 March 2018	18,748	165,278	39,574	223,600

Notes to the Financial Statements – 31 March 2018

5. INVESTMENT IN A JOINT VENTURE

	2018 US\$	2017 US\$
Investment in joint venture at cost	3,126,622	3,511,600
Translation adjustment	–	(384,978)
Less: Impairment loss	<u>(3,126,622)</u>	<u>(3,126,622)</u>
	<u>–</u>	<u>–</u>

The details of the joint venture are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2018 %	2017 %
PanAridus LLC *	United States of America	Research and development activities towards development of seed for rubber plantation	<u>50</u>	<u>50</u>

* 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

	2018 US\$	2017 US\$
Unquoted shares, at cost	<u>6,636,266</u>	<u>1,636,266</u>

The details of the subsidiaries are as follows:

Name and principal activities	Country of incorporation	Cost of investments		Proportion of ownership interest	
		2018 US\$	2017 US\$	2018 %	2017 %
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	<u>5,000,000</u>	<u>–</u>	100	–
		<u>6,636,266</u>	<u>1,636,266</u>		

Notes to the Financial Statements – 31 March 2018

6. INVESTMENT IN SUBSIDIARIES (continued)

Incorporation of subsidiaries

During the financial year, the Company has incorporated a wholly owned subsidiary, ATL Singapore Pte. Ltd. for total cash consideration of US\$1 and thereafter increased its investment by subscribed to the new share capital issued by the subsidiary for the cash consideration of US\$4,999,999.

7. INVENTORIES

	2018 US\$	2017 US\$
Finished goods	–	193,415
Goods-in-transit	22,573,511	21,370,498
	<u>22,573,511</u>	<u>21,563,913</u>
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	<u>410,216,234</u>	<u>210,961,969</u>

8. OTHER RECEIVABLES

Advance billing from suppliers	1,695,345	1,336,076
Deposits	162,280	127,878
GST receivables	7,172	12,431
Prepayments	185,392	176,891
Staff entrance	10,810	19,998
	<u>2,060,999</u>	<u>1,673,274</u>

Included in other receivables is an amount of US\$180,262 (2017: US\$156,688) denominated in Singapore Dollar.

9. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY

Trade	88,098,942	54,615,159
Non-trade	485,147	898,191
	<u>88,584,089</u>	<u>55,513,350</u>

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\$3,293,512 (2017: US\$Nil) denominated in Euro.

Notes to the Financial Statements – 31 March 2018

10. AMOUNTS DUE FROM RELATED COMPANIES

	2018 US\$	2017 US\$
Trade	6,212,144	5,059,252
Non-trade	23,978	-
	<u>6,236,122</u>	<u>5,059,252</u>

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\$5,932,453 (2017: US\$5,059,252) denominated in Euro.

11. AMOUNTS DUE FROM JOINT VENTURE

Non-trade	108,167	108,167
Less: Allowance for impairment	<u>(108,167)</u>	<u>(108,167)</u>
	<u>-</u>	<u>-</u>

The amounts due are unsecured, bears an interest rate of 5.5% (2017: 5.5%) per annum, repayable upon demand and to be settled in cash.

12. CASH AND CASH EQUIVALENTS

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

Euro	419,038	31,378
Singapore Dollar	<u>113,362</u>	<u>97,297</u>

13. TRADE PAYABLES

Included in trade payables is an amount of US\$3,745,376 (2017: US\$2,413,148) denominated in Euro.

14. OTHER PAYABLES

Accrued liabilities	201,199	365,861
Accrued salaries and related costs	254,954	204,835
Advance billing to a customer	18,590,832	16,922,441
Sundry payables	149,829	127,982
	<u>19,196,814</u>	<u>17,621,119</u>

Advance billing to a customer amounted to US\$18,590,832 (2017: US\$16,922,441) related to the sales to ultimate holding company – Apollo Tyres Ltd and a related company – Apollo Vredestein B.V. in which the risk and rewards of the goods were deemed to be transferred in subsequent reporting period.

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

Euro	1,153	696
Singapore Dollar	<u>277,447</u>	<u>191,951</u>

Notes to the Financial Statements – 31 March 2018

15. 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.

16. SHORT TERM BORROWINGS

	2018 US\$	2017 US\$
Trade financing (unsecured)	<u>51,951,484</u>	<u>40,775,963</u>

The borrowings bear interest rate ranging from 0.55% to 2.5469% (2017: 0.36% to 1.6065%) 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\$3,848,156 (2017: US\$2,297,697) denominated in Euro.

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

Company	2017	Cash flows	Non-cash changes Foreign exchange movement	2018
	\$	\$	\$	\$
Short term borrowings	<u>40,775,963</u>	<u>11,156,418</u>	<u>19,103</u>	<u>51,951,484</u>

17. TAX PAYABLE

Balance at beginning of year	490,767	42,934
Current year's tax expense	1,118,488	495,484
Income tax paid	(494,905)	(44,084)
Income tax refund	7,346	-
Over provision in of prior year	-	(3,567)
Balance at end of year	<u>1,121,696</u>	<u>490,767</u>

Notes to the Financial Statements – 31 March 2018

18. SHARE CAPITAL

	2018		2017	
	Number of shares	US\$	Number of shares	US\$
Issued and fully paid ordinary shares:				
At beginning of year	10,565,383	8,110,195	8,937,941	7,083,647
Translation adjustment	–	–	–	(600,894)
Issued during the year	5,000,000	5,000,000	1,627,442	1,627,442
At end of year	<u>15,565,383</u>	<u>13,110,195</u>	<u>10,565,383</u>	<u>8,110,195</u>

During the financial year, 5,000,000 (2017: 1,627,442) new ordinary shares were allotted and issued for total cash consideration of US\$5,000,000 (2017: US\$1,627,442). The proceeds were used for working capital purposes.

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.

19. REVENUE

Revenue represents sales of goods in the normal course of business.

20. OTHER OPERATING INCOME

	2018 US\$	2017 US\$
Business advisory services rendered	2,497,821	2,568,639
Government grants – PIC cash payout	2,118	18,029
– Temporary employment credit	5,035	3,900
Interest income on:		
– amounts due from joint ventures	–	5,500
– amounts due from immediate holding company	20,187	–
– margin deposit	198	361
Sundry income	3,052	1,925
Supply chain management services rendered	95,244	–
	<u>2,623,655</u>	<u>2,598,354</u>

21. OTHER CREDITS/(CHARGES)

Allowance for impairment on amounts due from joint venture	–	(108,167)
Fair value (loss)/gain on future contract	(111,090)	410,030
Foreign exchange adjustments, gain	226,782	150,685
Gain on disposal of plant and equipment	3,590	–
Impairment loss on investment in joint venture	–	(3,126,622)
	<u>119,282</u>	<u>(2,674,074)</u>

Notes to the Financial Statements – 31 March 2018

22. FINANCE COST

	2018	2017
	US\$	US\$
Interest expenses on short-term borrowings	<u>811,059</u>	<u>275,592</u>

23. PROFIT BEFORE TAX

The profit before tax is arrived at after charging:

Legal and professional fee	424,902	1,157,036
Management fee	535,619	–
Procurement fee	327,405	–
Staff benefits	58,447	58,457
Travelling	<u>273,694</u>	<u>270,448</u>

24. INCOME TAX EXPENSE

(i) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 March 2018 and 2017 are:

Statement of comprehensive income:

Current tax	1,118,488	495,484
Over provision in prior year	–	(3,567)
	<u>1,118,488</u>	<u>491,917</u>

(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 2018 and 2017 are as follows:

Profit before tax	<u>11,496,814</u>	<u>1,915,856</u>
Tax expense on profit before tax at 17%	1,954,459	325,695
Adjustments:		
Non-taxable income	(970)	(103,745)
Non-deductible expenses	38,488	570,279
Approved donation	(304)	–
Tax exemptions	(2,046)	(747)
Tax rebate	(7,372)	(18,061)
Over provision in prior year	–	(3,567)
Deferred taxation not recognised	(6,517)	(1,915)
(Under)/over provision of current year income tax	(41,258)	48,684
Concessionary tax rate	<u>(815,992)</u>	<u>(324,706)</u>
Total tax expense	<u>1,118,488</u>	<u>491,917</u>

Notes to the Financial Statements – 31 March 2018

24. INCOME TAX EXPENSE (continued)

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

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%.

25. DIVIDEND PAID

	2018 US\$	2017 US\$
Interim Tax Exempt (One-tier) Dividend declared and paid during the financial year:		
– Ordinary shares US\$0.13 (2017: \$Nil) per share for financial year ended 31 March 2018	2,000,000	–

26. DEFERRED TAXATION

Deferred tax liability:		
Difference in depreciation	16,481	9,960
Deferred tax liability on temporary differences not recognised	(16,481)	(9,960)
Balance	–	–

27. EMPLOYEE BENEFITS

Employee benefits expenses (including directors):		
Salaries and bonuses	2,117,809	1,741,866
Central provident fund contributions	101,553	67,632
Others	228,635	226,607
	2,447,997	2,036,105

28. 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.

Notes to the Financial Statements – 31 March 2018

28. OPERATING LEASE COMMITMENTS (continued)

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

	2018 US\$	2017 US\$
Not later than one year	553,442	362,729
Later than one year but not later than five years	975,353	3,547
	<u>1,528,795</u>	<u>366,276</u>

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 March 2018 amounted to US\$481,370 (2017: US\$404,062).

29. 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*

<i>Related company</i>		
Sales	27,844,190	17,758,217
Management fee	535,619	–
Supply chain management services rendered	95,244	–
<i>Ultimate holding company</i>		
Business advisory services	2,497,821	2,568,639
Sales	396,780,711	199,656,855
Expenses paid on behalf of	98,062	464
Procurement fee	327,405	–
Reimbursement expenses	176,879	153,384
<i>Immediate holding company</i>		
Loan	14,833,279	–
Interest income	20,187	–
<i>Joint venture</i>		
Interest income	–	5,500

(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	<u>1,130,260</u>	<u>888,881</u>
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30. 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.

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\$389,636 (2017: US\$305,820). 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.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) *Foreign currency risk (continued)*

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	
	2018 US\$	2017 US\$
SGD		
– strengthened 6% (2017: 2%)	(1,037)	1,469
– weakened 6% (2017: 2%)	1,037	(1,469)
EUR		
– strengthened 15% (2017: 4%)	315,315	(14,986)
– weakened 15% (2017: 4%)	<u>(315,315)</u>	<u>14,986</u>

(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 trade and other receivables. For other financial assets (including cash and cash equivalents and derivatives), the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

▪ *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.

30. 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 nor 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 11 (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.

31. 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 39 categories.

	2018	2017
	US\$	US\$
<i>Loans and receivables</i>		
Other receivables	180,262	160,307
Amounts due from ultimate holding company	88,584,089	55,513,350
Amounts due from related companies	6,236,122	5,059,252
Margin deposits	–	1,355,668
Cash and cash equivalents	594,297	204,823
	<u>95,594,770</u>	<u>62,293,400</u>
<i>Financial liabilities at amortised cost</i>		
Trade payables	33,602,488	20,732,383
Other payables	605,982	698,678
Amounts due to a related company	94,400	–
Short term borrowings	51,951,484	40,775,963
	<u>86,254,354</u>	<u>62,207,024</u>

Notes to the Financial Statements – 31 March 2018

32. 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.

33. 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 2018 and 31 March 2017. 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.

	2018	2017
	US\$	US\$
Trade and other payables	52,799,302	38,353,502
Amounts due to a related company	94,400	–
Short term borrowings	51,951,484	40,775,963
Less: Cash and cash equivalents	(594,297)	(204,823)
Net debt	<u>104,250,889</u>	<u>78,924,642</u>
Equity attributable to the owner of the Company	20,942,002	7,563,676
Total capital	<u>20,942,002</u>	<u>7,563,676</u>
Capital and net debt	<u>125,192,891</u>	<u>86,488,318</u>
Gearing ratio	<u>83%</u>	<u>91%</u>

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

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34. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on 2 May 2018.