



*Directors' Statement and
Audited Financial Statements*

ATL Singapore Pte. Ltd.
(Co. Reg. No. 201713007M)

For the year ended 31 March 2019

ATL Singapore Pte. Ltd.
(Co. Reg. No. 201713007M)

General Information

Directors

Tay Lean Hock
Sunam Sarkar
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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ATL Singapore Pte. Ltd.
(Co. Reg. No. 201713007M)

Directors' Statement

The directors are pleased to present their statement to the member together with the audited financial statements of ATL 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
Tay Lean Hock
Rohit Arora

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 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.

ATL Singapore Pte. Ltd.
(Co. Reg. No. 201713007M)

Directors' Statement – continued

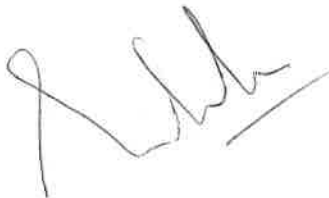
7. UNISSUED SHARES UNDER OPTION

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



Tay Lean Hock
Director

Singapore
13 May 2019

**Independent Auditor's Report
to the member of ATL Singapore Pte. Ltd.
(Co. Reg. No. 201713007M)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ATL 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.

**Independent Auditor's Report
to the member of ATL Singapore Pte. Ltd. – continued
(Co. Reg. No. 201713007M)**

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 ATL Singapore Pte. Ltd. – continued
(Co. Reg. No. 201713007M)**

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 ATL Singapore Pte. Ltd. – continued
(Co. Reg. No. 201713007M)**

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 'HLB Atrede LLP'.

HLB Atrede LLP
Public Accountants and
Chartered Accountants

Singapore
13 May 2019

ATL Singapore Pte. Ltd.
(Co. Reg. No. 201713007M)

Balance Sheet as at 31 March 2019

| | Note | 2019 US\$ | 2018 US\$ |
|--|------|------------------|------------------|
| Current assets | | | |
| Derivatives | 4 | — | 21,118 |
| Margin accounts | 5 | 2,548,854 | 3,824,762 |
| Prepayments | | 3,353 | 3,532 |
| Loan to immediate holding company | 6 | 2,022,222 | — |
| Cash and cash equivalents | 7 | 23,933 | 991,631 |
| | | <u>4,598,362</u> | <u>4,841,043</u> |
| Current liabilities | | | |
| Other payables | 8 | 2,226 | 5,280 |
| Derivatives | 4 | 18,157 | 118,215 |
| | | <u>20,383</u> | <u>123,495</u> |
| Net current assets | | 4,577,979 | 4,717,548 |
| Net assets | | <u>4,577,979</u> | <u>4,717,548</u> |
| Equity attributable to owner of the Company | | | |
| Share capital | 9 | 5,000,000 | 5,000,000 |
| Accumulated losses | | (422,021) | (282,452) |
| Total equity | | <u>4,577,979</u> | <u>4,717,548</u> |

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

ATL Singapore Pte. Ltd.
(Co. Reg. No. 201713007M)

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

| | Note | 1.4.2018 to 31.3.2019 US\$ | 11.5.2017 to 31.3.2018 US\$ |
|---|------|-------------------------------------|--------------------------------------|
| Other operating income | 10 | 30,360 | 460 |
| Loss on trading derivatives | | (195,880) | (197,683) |
| Net fair value gain/(loss) on derivatives | | 78,940 | (97,097) |
| Other expenses | 11 | (35,707) | (15,231) |
| (Loss)/gain on foreign exchange adjustment | | (17,282) | 27,099 |
| Loss before tax | | <u>(139,569)</u> | <u>(282,452)</u> |
| Income tax expense | 12 | - | - |
| Loss for the year/period | | <u>(139,569)</u> | <u>(282,452)</u> |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the year/period | | <u><u>(139,569)</u></u> | <u><u>(282,452)</u></u> |

Statement of Changes in Equity
Year ended 31 March 2019

| | Share capital US\$ | Accumulated loss US\$ | Total US\$ |
|---|--------------------------|-----------------------------|------------------|
| On incorporation of the Company | 1 | - | 1 |
| Issuance of ordinary shares | 4,999,999 | - | 4,999,999 |
| Total comprehensive loss for the period | - | (282,452) | (282,452) |
| Balance at 31 March 2018 | 5,000,000 | (282,452) | 4,717,548 |
| Total comprehensive loss for the year | - | (139,569) | (139,569) |
| Balance at 31 March 2019 | <u>5,000,000</u> | <u>(422,021)</u> | <u>4,577,979</u> |

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

ATL Singapore Pte. Ltd.
(Co. Reg. No. 201713007M)

Cash Flow Statement for the financial year ended 31 March 2019

| | 1.4.2018 to 31.3.2019 US\$ | 11.5.2017 to 31.3.2018 US\$ |
|--|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before tax | (139,569) | (282,452) |
| Adjustments for: | | |
| Interest income | (30,360) | (460) |
| Net fair value (gain)/loss on derivatives | (78,940) | 97,097 |
| Unrealised foreign exchange loss/(gain) | 17,282 | (27,099) |
| Operating cash flows before working capital changes | <u>(231,587)</u> | <u>(212,914)</u> |
| Decrease/(increase) in prepayment | 179 | (3,532) |
| Decrease/(increase) in margin accounts | 1,258,626 | (3,797,663) |
| (Decrease)/increase in other payables | (3,054) | 5,280 |
| Cash generated from/(used in) operations | <u>1,024,164</u> | <u>(4,008,829)</u> |
| Interest received | 8,138 | 460 |
| Net cash flows from/(used in) operating activities | <u>1,032,302</u> | <u>(4,008,369)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares | - | 5,000,000 |
| Loan to immediate holding company | (2,000,000) | - |
| Net cash flows (used in)/from financing activities | <u>(2,000,000)</u> | <u>5,000,000</u> |
| Net (decrease)/increase in cash and cash equivalents | (967,698) | 991,631 |
| Cash and cash equivalents at beginning of year/period | <u>991,631</u> | <u>-</u> |
| Cash and cash equivalents at end of year/period | <u>23,933</u> | <u>991,631</u> |

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

Notes to the Financial Statements – 31 March 2019

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 Holdings (Singapore) Pte. Ltd., incorporated in Singapore 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 those of trading of tyres and raw materials including rubber, oil and oil based derivatives.

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”) that are relevant to its operations and effective for the current financial year. The adoption of these standards and INT FRS 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 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 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Notes to the Financial Statements – 31 March 2019

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.

FRS 109 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

The classification and measurement requirements of FRS 109 did not have a significant impact on the Company. The Company continued measuring at fair value for all financial assets and financial liabilities previously held at fair value under FRS 39.

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.

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) |
|--|---|
| Improvements to FRSs (March 2018): | |
| – Amendment to FRS 12 <i>Income Taxes</i> | 1 January 2019 |
| INT FRS 123: <i>Uncertainty over Income Tax Treatments</i> | 1 January 2019 |

Notes to the Financial Statements – 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

Standards issued but not yet effective (continued)

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.

(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) *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.

Subsequent measurement

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Financial instruments (continued)*

(i) *Financial assets (continued)*

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.

(iii) *Derivatives*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *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).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

(e) *Cash and cash equivalents*

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

(f) *Other payables*

Other payables are non-interest bearing and have an average term of six months.

(g) *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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) *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.

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) *Net trading income*

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities “held for trading”.

(ii) *Interest income*

Interest income is recognised using the effective interest method.

(i) *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.

(j) *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.

Notes to the Financial Statements – 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Taxes (continued)*

(ii) *Deferred tax (continued)*

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) *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 2019

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*

There were no material 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.

4. DERIVATIVES

The table below shows the fair values of derivative instruments, recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the financial year end and are indication of neither at the market risk nor the credit risk.

| | Notional amount US\$ | Assets US\$ | Liabilities US\$ |
|------------------------------------|----------------------------|----------------|---------------------|
| <i>Derivative held-for trading</i> | | | |
| 2019 | | | |
| Commodity future contracts | 830,116 | — | 18,157 |
| 2018 | | | |
| Commodity future contracts | 3,132,986 | 21,118 | 118,215 |

Future contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Future contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

The credit risk related to future contracts is considered minimal because the cash margin requirements of the broker help ensure that these contracts are always honoured.

The future contracts are collateralised by margin deposits account held by broker of US\$2,548,854 (2018: US\$3,824,762) (Note 5).

All derivative financial instruments are classified as fair value through profit or loss.

Notes to the Financial Statements – 31 March 2019

5. MARGIN ACCOUNTS

Margin accounts represent margin deposits maintained unit recognised future dealers and brokers are held for open exchange-traded future contracts done on the future exchange.

The margin accounts move in relation to trade done on futures, valuation margin required and prices of the commodities traded.

Margin accounts denominated in foreign currency at 31 March are as follows:

| | 2019 US\$ | 2018 US\$ |
|--------------|---------------------|---------------------|
| Japanese Yen | <u>210,810</u> | <u>490,570</u> |

6. LOAN TO IMMEDIATE HOLDING COMPANY

| | | |
|---------------------|------------------|----------|
| Loan | 2,000,000 | – |
| Interest receivable | <u>22,222</u> | – |
| | <u>2,022,222</u> | <u>–</u> |

The amounts due are unsecured, repayable upon demand and to be settled in cash. It bears interest rate of 2.5% (2018: Nil%) per annum.

7. CASH AND CASH EQUIVALENTS

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

| | | |
|------------------|--------------|--------------|
| Singapore Dollar | <u>7,192</u> | <u>5,153</u> |
|------------------|--------------|--------------|

8. OTHER PAYABLES

| | | |
|---------------------|--------------|--------------|
| Accrued liabilities | 2,214 | 4,411 |
| Sundry payables | <u>12</u> | <u>869</u> |
| | <u>2,226</u> | <u>5,280</u> |

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

| | | |
|------------------|--------------|--------------|
| Singapore Dollar | <u>2,226</u> | <u>5,280</u> |
|------------------|--------------|--------------|

Notes to the Financial Statements – 31 March 2019

9. SHARE CAPITAL

| | 2019 | | 2018 | |
|--|------------------|------------------|------------------|------------------|
| | Number of shares | US\$ | Number of shares | US\$ |
| Issued and fully paid ordinary shares: | | | | |
| At beginning of year/date of incorporation | 5,000,000 | 5,000,000 | 1 | 1 |
| Issued during the year/period | – | – | 4,999,999 | 4,999,999 |
| At end of year/period | <u>5,000,000</u> | <u>5,000,000</u> | <u>5,000,000</u> | <u>5,000,000</u> |

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.

10. OTHER OPERATING INCOME

| | 1.4.2018 to 31.3.2019 US\$ | 11.5.2017 to 31.3.2018 US\$ |
|--|-------------------------------------|--------------------------------------|
| Interest income on margin deposits | 8,138 | 460 |
| Interest income on loan to immediate holding company | 22,222 | – |
| | <u>30,360</u> | <u>460</u> |

11. OTHER EXPENSES

| | | |
|---------------------------------------|---------------|---------------|
| Auditor's remuneration – current year | 2,214 | 4,411 |
| – overprovision in prior year | (1,851) | – |
| Bank charges | 343 | 150 |
| Brokerage commission | 21,018 | 4,980 |
| Consultancy fee | 11,667 | 3,333 |
| Professional fee | 1,842 | 2,040 |
| Subscription fee | 474 | 317 |
| | <u>35,707</u> | <u>15,231</u> |

12. INCOME TAX EXPENSE

(i) *Major components of income tax expense*

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

Statement of comprehensive income:

Current tax – –

Notes to the Financial Statements – 31 March 2019

12. INCOME TAX EXPENSE (continued)

(ii) *Relationship between tax benefit and accounting loss*

The reconciliation between the tax benefit and the product of accounting loss multiplied by the applicable tax rate for the year/period ended 31 March 2019 and 2018 are as follows:

| | 1.4.2018 to 31.3.2019 US\$ | 11.5.2017 to 31.3.2018 US\$ |
|---------------------------------------|---|--|
| Loss before tax | <u>(139,569)</u> | <u>(282,452)</u> |
| Tax benefit on loss before tax at 17% | (23,727) | (48,017) |
| Adjustments: | | |
| Deferred taxation not recognised | <u>23,727</u> | <u>48,017</u> |
| Total tax expense | <u>-</u> | <u>-</u> |

13. DEFERRED TAXATION

Deferred tax asset:

| | | |
|---|-----------------|-----------------|
| Tax losses carry forward | <u>(71,774)</u> | <u>(48,017)</u> |
| Total deferred tax asset | <u>(71,774)</u> | <u>(48,017)</u> |
| Net of deferred tax asset | (71,774) | (48,017) |
| Deferred tax assets on temporary differences not recognised | <u>71,774</u> | <u>48,017</u> |
| Balance | <u>-</u> | <u>-</u> |

The Company has unabsorbed tax losses of approximately US\$422,000 (2018: US\$282,400) that are available for offset against future taxable profits of the Company of which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement with the Income Tax Authorities.

14. 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*

Immediate holding company

| | | |
|------------------|---------------|----------|
| Loan to | 2,000,000 | - |
| Interest charged | <u>22,222</u> | <u>-</u> |

Notes to the Financial Statements – 31 March 2019

14. RELATED PARTY DISCLOSURES (continued)

(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. There is no key management personnel, compensation which is required for disclosure as the directors did not receive any remuneration from the Company.

15. 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 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) *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 operates and sells their products in several countries other than Singapore and transacts in foreign currencies. As a result, the Company is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to Japanese Yen (JPY).

Sensitivity analysis for foreign currency risk

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

| | Loss before tax | |
|---------------------------------|-----------------|----------|
| | 2019 | 2018 |
| | US\$ | US\$ |
| JPY | | |
| – strengthened 0.07% (2018: 2%) | 3,853 | 10,233 |
| – weakened 0.07% (2018: 2%) | (3,853) | (10,233) |

Notes to the Financial Statements – 31 March 2019

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) *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 balances with banks and margin deposits placed with brokers and loan to immediate holding company. The Company minimise credit risk by dealing exclusively with high credit rating and reputable financial institutions.

The maximum exposure to credit risk is the carrying amount of the financial assets presented on the balance sheet.

(iii) *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 objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

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

16. 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\$ |
|---|------------------|------------------|
| <i>Financial assets at fair value through profit or loss</i> | | |
| Derivatives | – | 21,118 |
| <i>Financial assets at amortised cost</i> | | |
| Margin accounts | 2,548,854 | 3,824,762 |
| Loan to immediate holding company | 2,022,222 | – |
| Cash and cash equivalents | 23,933 | 991,631 |
| | <u>4,595,009</u> | <u>4,816,393</u> |
| <i>Financial liabilities at fair value through profit or loss</i> | | |
| Derivatives | 18,157 | 118,215 |
| <i>Financial liabilities at amortised cost</i> | | |
| Other payables | 2,226 | 5,280 |

Notes to the Financial Statements – 31 March 2019

17. 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 Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Fair value hierarchy

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

▪ ***Fair value of financial instruments that are carried at fair value***

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

| | Quoted prices in active markets for identical instruments (Level 1) | |
|-------------------------------|--|----------------------|
| | 2019 US\$ | 2018 US\$ |
| Financial assets: | | |
| <i>Derivatives (Note 4):</i> | | |
| – Commodity futures contracts | – | 21,118 |
| Financial liabilities: | | |
| <i>Derivatives (Note 4):</i> | | |
| – Commodity futures contracts | 18,157 | 118,215 |

Notes to the Financial Statements – 31 March 2019

18. CAPITAL MANAGEMENT

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

The Company's working capital comprises of receivables, cash and cash equivalents, other payables and stated on the balance sheet. The Company manage its working capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the working capital structure, the Company may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 March 2019.

The Company manages capital by regularly monitoring its current and expected liquidity requirements. The Company is not subject to either externally imposed capital requirements.

19. COMPARATIVE FIGURES

The financial statements for 2018 cover the financial period from 11 May 2017 to 31 March 2018. The financial statements for 2019 cover the twelve months ended 31 March 2019. As such, the statement of comprehensive income, statement of change in equity, cash flow statement and the related notes for the current year and previous financial period are not comparable.

20. 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.