

**MRF SG PTE. LTD.**  
**(Company Registration No: 201421655R)**  
**(Incorporated in the Republic of Singapore)**

**Audited Financial Statements For The**  
**Financial Year Ended 31 March 2020**

Directors :                      Kandathil Mammen Mammen  
                                        Arun Mammen  
                                        Rahul Mammen Mappillai  
                                        Koyikal Thomas Easow @ Koikal Robin Thomas

Registered Office:              11 Collyer Quay  
   #10-15 The Arcade  
   Singapore 049317

Auditors:                        K.C. CHAN & CO PAC  
                                        Public Accountants and Chartered Accountants of Singapore

CONTENTS	PAGE
Directors' Statement	2 - 3
Independent Auditor's Report	4 - 6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 37

MRF SG PTE. LTD.

**DIRECTORS' STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

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The directors are pleased to present their statement to the member together with the audited financial statements of MRF SG PTE. LTD. (the "Company") for the financial year ended 31 March 2020.

**1. Opinion of Directors**

In the opinion of the directors,

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2020 and of the financial performance, changes in equity and cash flows of the Company for the financial year then ended; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

**2. Directors**

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

Kandathil Mammen Mammen  
Arun Mammen  
Rahul Mammen Mappillai  
Koyikal Thomas Easow @ Koikal Robin Thomas

**3. Arrangements to Enable Directors to Acquire Shares or 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 in, or debentures of the Company or any other body corporate.

**4. Directors' Interests in Shares or Debentures**

According to the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations.



MRF SG PTE. LTD.

DIRECTORS' STATEMENT (Cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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**5. Share Options**

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

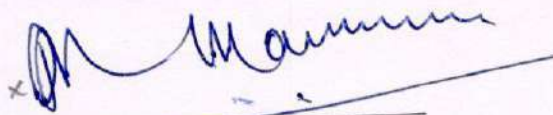
There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

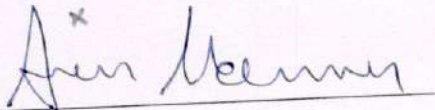
**6. Auditors**

The auditors, K.C. CHAN & CO PAC, Public Accountants and Chartered Accountants of Singapore, have expressed their willingness to accept re-appointment.

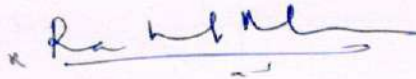
On behalf of the Board of Directors



Kandathil Manthien Mammen  
Director



Arun Mammen  
Director



Rahul Mammen Mappillai  
Director

Dated:

Office address:  
105 Cecil Street  
#15-01 The Octagon  
Singapore 069534

Telephone: (65) 6324 7718  
Telefax : (65) 6225 9110

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF  
MRF SG PTE. LTD.  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

***Report on the Audit of the Financial Statements***

**Opinion**

We have audited the financial statements of MRF SG PTE. LTD. (the "Company"), which comprise the statement of financial position of the Company as at 31 March 2020, the statement comprehensive income, statement of changes in equity and statement of cash flows of the Company 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 2020 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 [set out on pages 2 to 3].

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

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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF (CONT'D)**  
**MRF SG PTE. LTD.**

*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 FRSSs, 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 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.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF (CONT'D)  
MRF SG PTE. LTD.**

*Auditor's Responsibilities for the Audit of the Financial Statements. (Cont'd)*

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.

***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.

K. C. CHAN & CO PAC  
Public Accountants and  
Chartered Accountants

Singapore,



MRF SG PTE. LTD.

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	2020 US\$	2019 US\$
Turnover	12	230,051,252	233,867,244
Other income	13	246,583	220,153
		<u>230,297,835</u>	<u>234,087,397</u>
Purchase of traded goods		(225,784,978)	(228,755,811)
Employee benefits expenses	14	(279,667)	(251,368)
Depreciation	2	(342)	(1,820)
Finance costs	15	(2,783,453)	(3,062,219)
Other expenses	16	(141,158)	(288,314)
<b>Profit before tax</b>		<u>1,308,237</u>	<u>1,727,865</u>
Income tax expense	17	(132,344)	(168,246)
<b>Profit for the year, representing total comprehensive income for the year</b>		<u><u>1,175,893</u></u>	<u><u>1,559,619</u></u>

The accompanying notes form an integral part of these financial statements.



## MRF SG PTE. LTD.

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2020

	Note	2020 US\$	2019 US\$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	1,224	1,566
Sundry deposit		19,092	19,092
<b>Total Non-Current Assets</b>		<u>20,316</u>	<u>20,658</u>
<b>Current Assets</b>			
Trade receivables	3	65,016,977	93,827,273
Other receivables	4	2,484,094	757,050
Derivative	5	152,503	-
Cash and cash equivalents	6	14,286,792	13,426,828
<b>Total Current Assets</b>		<u>81,940,366</u>	<u>108,011,151</u>
<b>Total Assets</b>		<u>81,960,682</u>	<u>108,031,809</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	1,008,005	1,008,005
Retained earnings		14,099,598	12,923,705
<b>Total Equity</b>		<u>15,107,603</u>	<u>13,931,710</u>
<b>Current Liabilities</b>			
Trade payables	8	2,018,531	1,509,033
Accruals	9	313,881	806,302
Amounts owing to bankers	10	64,387,379	91,609,009
Provision for taxation	11	133,288	175,755
<b>Total Current Liabilities</b>		<u>66,853,079</u>	<u>94,100,099</u>
<b>Total Equity and Liabilities</b>		<u>81,960,682</u>	<u>108,031,809</u>

The accompanying notes form an integral part of these financial statements.

MRF SG PTE. LTD.

STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Share Capital US\$	Retained Earnings US\$	Total Equity US\$
Balance at 1 April 2018	1,008,005	11,364,086	12,372,091
Total comprehensive income for the financial year	-	1,559,619	1,559,619
Balance at 31 March 2019	1,008,005	12,923,705	13,931,710
Total comprehensive income for the financial year	-	1,175,893	1,175,893
Balance at 31 March 2020	1,008,005	14,099,598	15,107,603

The accompanying notes form an integral part of these financial statements.



MRF SG PTE. LTD.

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	2020 US\$	2019 US\$
<b>Cash flows from operating activities</b>			
Profit after taxation		1,175,893	1,559,619
<b>Adjustments for:</b>			
Depreciation		342	1,820
Loss on foreign exchange		(10,313)	234
Income tax expense		133,288	175,755
Interest expenses		2,612,478	2,905,567
Interest income		(246,583)	(219,847)
Overprovision of prior year income tax		(944)	-
<b>Operating profit before working capital changes</b>		3,664,161	4,423,148
Decrease/ (increase) in receivables		26,995,779	(17,950,121)
(Decrease)/ Increase in payables		(275,593)	(2,774,905)
<b>Cash generated from/ (used in) operations</b>		30,384,347	(16,301,878)
Income tax paid		(175,755)	(490,189)
Income tax refund		944	7,509
<b>Net cash generated from / (used in) operating activities</b>		30,209,536	(16,784,558)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		-	(1,719)
Interest received		192,183	148,555
<b>Net cash generated from investing activities</b>		192,183	146,836
<b>Cash flows from financing activities</b>			
Proceeds from loan		227,019,426	224,481,494
Repayment of loan		(254,241,056)	(203,479,753)
Interest paid		(2,319,808)	(2,448,492)
<b>Net cash (used in)/generated from financing activities</b>		(29,541,438)	18,553,249
<b>Net increase in cash and cash equivalents</b>		860,281	1,915,527
Cash and cash equivalents at the beginning of financial year	6	13,426,828	11,511,535
Effects of currency translation on cash and cash equivalents		(317)	(234)
<b>Cash and cash equivalents at the end of financial year</b>	6	14,286,792	13,426,828

The accompanying notes form an integral part of these financial statements.

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

**1. Significant Accounting Policies**

**(a) Basis of Preparation**

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below:

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 22.

**Adoption of new and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

**Standards issued but not yet effective**

The Company has not adopted the following standards applicable to the Company that have been issued but not yet effective:

<u>Effective for annual periods commencing on</u>	<u>Description</u>
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- |                  |  |
|------------------|--|
| 1 January 2020   | <ul style="list-style-type: none"><li>• Amendments to References to the Conceptual Framework in FRS Standards</li><li>• Amendments to FRS 1 and FRS 8 Definition of Material</li></ul> |
| To be determined | <ul style="list-style-type: none"><li>• Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</li></ul>               |

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

**(b) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.



**1. Significant Accounting Policies (Cont'd)**

**(c) 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, in Singapore where the Company operates and generates taxable income.

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

**(ii) Deferred tax**

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

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the 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 except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.



**1. Significant Accounting Policies (Cont'd)**

**(c) Taxes (Cont'd)**

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 at 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 each 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 and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

**(iii) Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales 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 sales tax included.

**(d) Property, Plant and Equipment**

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

Computers and printers	: 5 years
Office equipment	: 5 years

The carrying values of property, 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 lives and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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



**1. Significant Accounting Policies (Cont'd)**

**(e) Lease**

- (i) These accounting policies are applied on and after the initial application date of FRS 116, 1 April 2019:

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**As lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

**Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases of machinery (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

- (ii) These accounting policies are applied before the initial application date of FRS 116, 1 April 2019:

**Operating lease** payments are recognised as an expense in 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.

**(f) Revenue**

The Company sells rubber and nylon commodities products to its customer located in India. Sales are recognised when control of the products have transferred to its customer, being when the products are delivered to the customer. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The risk of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provision have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. No element of financing is deemed present as the sales are made with a credit term of 5 months, which is consistent with market practice.

Revenue from sale of rubber and nylon products is recognised when the Company has delivered the products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured.



**1. Significant Accounting Policies (Cont'd)**

**(g) Employee Benefits**

**(i) Defined contribution plans**

The Company participates in the national pension schemes as defined by the laws in Singapore in which it has operations. The Company make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes 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 when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees up to the statement of financial position date, if any.

**(iii) Termination benefit**

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefits is recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefits, shortterm employee benefits, or other long-term employee benefits.

**(h) 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 statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.



**1. Significant Accounting Policies (Cont'd)**

**(i) Foreign Currency**

The financial statements are presented in United States Dollar (US\$), which is also the Company's functional currency.

**Transactions and balances** - Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. 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.

**(j) Borrowings Costs**

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

**(k) Share Capital**

Ordinary shares are classified as equity.

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.

**(l) Impairment of Non-Financial Assets**

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.



**1. Significant Accounting Policies (Cont'd)**

**(m) Contingencies**

A contingent liability is:

- (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (ii) a present obligation that arises from past events but is not recognised because: -
  - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities and assets are not recognised on the statement of financial position of the Company.

**(n) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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.

**(o) Financial Instruments**

**(i) Financial Assets**

The Company classifies its financial assets into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification of debt instruments depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.



**1. Significant Accounting Policies (Cont'd)**

**(o) Financial Instruments**

**(i) Financial Assets (Cont'd)**

At initial recognition

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 assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

i. Debt instrument

Debt instruments of the Company mainly comprise of cash and bank deposits, trade and other receivables.

There are three prescribed subsequent measurement categories, depending on the Company's business model in managing the assets and the cash flow characteristic of the assets. The Company managed these group of financial assets by collecting the contractual cash flow and these cash flows represents solely payment of principal and interest. Accordingly, these group of financial assets are measured at amortised cost subsequent to initial recognition.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets are recognised using the effective interest rate method.

The Company assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

For trade receivable, the Company applied the simplified approach permitted by the FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables and cash and bank deposits, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognized.

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.



**1. Significant Accounting Policies (Cont'd)**

**(o) Financial Instruments (Cont'd)**

**(i) Financial Assets (Cont'd)**

*Impairment of financial assets*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. 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 recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, 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 which could affect debtors' ability to pay.

The Company considers a financial asset in default when contractual payments are 60 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.

**(ii) Derivative Financial Instruments**

A derivative financial instrument for which no hedge accounting is applied is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Changes in its fair value are recognised in profit or loss. The Company does not apply hedge accounting for its derivative financial instruments.

**(iii) Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.



**1. Significant Accounting Policies (Cont'd)**

**(o) Financial Instruments (Cont'd)**

**(iv) Borrowings**

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair values (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

**(v) Offsetting Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO FINANCIAL STATEMENTS (Cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Property, Plant and Equipment

	Computer and printers US\$	Office equipment US\$	Total US\$
<b>Cost</b>			
At 01.04.2018	5,493	1,671	7,164
Additions	1,719	-	1,719
At 31.03.2019 and 01.04.2019	7,212	1,671	8,883
Additions	-	-	-
At 31.03.2020	7,212	1,671	8,883
<b>Accumulated Depreciation</b>			
At 01.04.2018	4,248	1,249	5,497
Depreciation for the year	1,398	422	1,820
At 31.03.2019 and 01.04.2019	5,646	1,671	7,317
Depreciation for the year	342	-	342
At 31.03.2020	5,988	1,671	7,659
<b>Net Carrying Value</b>			
At 31.03.2020	1,224	-	1,224
At 31.03.2019	1,566	-	1,566

3. Trade Receivable

	2020 US\$	2019 US\$
Holding company	65,016,977	93,827,273

The average credit period on sales of goods is 5 months (2019: 5 months). No interest is charged on the outstanding trade receivable.

4. Other Receivables

	2020 US\$	2019 US\$
Advances paid to suppliers	2,429,694	685,758
Accrued interest income	54,400	71,292
	2,484,094	757,050

The average credit period are 60 days (2019: 60 days). No interest is charged on the outstanding receivables.



**5. Derivative**

	2020		2019	
	Contract Amount US\$	Assets US\$	Contract Amount US\$	Assets US\$
Forward currency contracts	2,531,178	152,503	-	-

Forward currency contracts are used to hedge foreign currency risk arising from the Company's sales denominated in Indian Rupee ("INR") for which firm commitments existed at the end of the reporting period.

**6. Cash and Cash Equivalents**

	2020 US\$	2019 US\$
Cash at banks <sup>1</sup>	4,286,792	3,426,828
Fixed deposits <sup>2</sup>	10,000,000	10,000,000
	<u>14,286,792</u>	<u>13,426,828</u>

<sup>1</sup>Cash at bank earns no interest.

<sup>2</sup>Fixed deposits bear interest ranging from 1.92% - 2.49% (2019: 2.24% - 2.95%) per annum and have average maturity period of 182 - 189 days (2019: 70 - 162 days).

**7. Share Capital**

	2020		2019	
	Number of shares	US\$	Number of shares	US\$
Issued and fully paid:				
Ordinary shares	1,273,200	1,008,005	1,273,200	1,008,005

All issued ordinary share are fully paid. There is no par value for the ordinary shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

**8. Trade Payables**

	2020 US\$	2019 US\$
Third parties	<u>2,018,531</u>	<u>1,509,033</u>

Trade payables are non-interest bearing and are normally settled on 60 days (2019: 60 days). No interest is charged on the trade payables.

NOTES TO FINANCIAL STATEMENTS (Cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

**9. Accruals**

	2020 US\$	2019 US\$
Accruals		
- Audit and tax fees	21,211	21,706
- Interest	292,670	784,596
	<u>313,881</u>	<u>806,302</u>

**10. Amount Owing To Bankers**

	2020 US\$	2019 US\$
Loan from The Bank of Tokyo-Mitsubishi UFJ, Ltd ("MUFG")	30,960,993	36,824,910
Loan from Citibank N.A., Singapore Branch ("Citibank")	-	29,423,511
Loan from DBS Bank Ltd ("DBS")	33,426,386	25,360,588
	<u>64,387,379</u>	<u>91,609,009</u>

Loans from MUFG, Citibank and DBS are backed by way of letter of comfort from holding company, namely MRF Limited. The loans are repayable in full within 3 to 7 months (2019: 3 to 7 months) from the drawdown date.

Interest for loan from MUFG is chargeable at 0.25% per annum (2019: 0.25%) above the ICE USD LIBOR. During the financial year, interest charged at approximate 2.26% - 3.17% (2019: 2.84% - 3.17%) per annum.

Interest for loan from Citibank is chargeable at 0.20% per annum (2019: 0.20 and 0.25%) above the ICE USD LIBOR. During the financial year, interest charged at approximate 2.38% - 3.10% (2019: 2.79% - 3.10%) per annum.

Interest for loan from DBS is chargeable at 0.25% per annum (2019: 0.25%) above the ICE USD LIBOR. During the financial year, interest charged at approximate 2.14% - 3.15% (2019: 2.87% - 3.15%) per annum.

**11. Provision for Taxation**

	2020 US\$	2019 US\$
Balance at beginning of year	175,755	482,680
Tax charged to statement of comprehensive income:		
- Current year's tax expense on profit	133,289	175,755
- Overprovision in prior year	(944)	-
Income tax paid	(175,755)	(490,189)
Income tax refund	944	7,509
Balance at end of year	<u>133,289</u>	<u>175,755</u>



MRF SG PTE. LTD.

NOTES TO FINANCIAL STATEMENTS (Cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

**12. Turnover**

	2020 US\$	2019 US\$
At the point-of-time: Sale of goods	230,051,252	233,867,244

**13. Other Income**

	2020 US\$	2019 US\$
Interest income	246,583	219,847
Government grants	-	306
	246,583	220,153

**14. Employee Benefits Expenses**

	2020 US\$	2019 US\$
CPF & other contribution	19,034	17,042
Salaries, bonus, allowances	260,633	234,326
	279,667	251,368

**15. Finance Costs**

	2020 US\$	2019 US\$
Bank charges	170,975	156,652
Loan interest	2,612,478	2,905,567
	2,783,453	3,062,219

**16. Other Expenses**

	2020 US\$	2019 US\$
This is determined after charging the following:-		
Director's fee	14,557	15,052
(Gain) / loss on foreign exchange	(10,313)	102,906
Rental	63,912	65,157
Miscellaneous expenses	73,002	105,199
	141,158	288,314

**17. Income Tax Expense**

	2020 US\$	2019 US\$
Income tax refund	-	(7,509)
Current year tax expense	133,288	175,755
Over provision in prior year	(944)	-
	<u>132,344</u>	<u>168,246</u>

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before tax due to the following factors:

	2020 US\$	2019 US\$
Profit before tax	<u>1,308,237</u>	<u>1,727,865</u>
Tax expense on profit before tax at 17%	222,400	293,737
<b>Adjustments:</b>		
Tax effect on non-deductible expenses	392	394
Tax effect on change in temporary differences	58	309
Tax effect resulted from concessionary rate	(76,883)	(105,562)
Tax effect on exempt amount	(12,679)	(12,831)
Tax effect on unrecognised deferred tax	-	(292)
Over provision in prior year	(944)	-
	<u>132,344</u>	<u>175,755</u>

**18. Lease Commitments****Operating lease commitments – where the company is the lessee**

As at 31 March 2019, the Company leases an office under lease agreement that is non-cancellable. Future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	2019 US\$
Not later than one year	64,607
Later than one year but not later than five years	<u>26,919</u>
	<u>91,526</u>



**18. Lease Commitments (Cont'd)**

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 March 2019 amounted to US\$65,157.

As disclosed in Note 1(e), the Company has adopted FRS 116 on 1 January 2019. These lease payments have not recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 March 2020 as these leases are classified as short-term leases.

**19. (a) Related Parties Transactions**

During the financial year, the Company had significant transaction with related parties which is carried out on terms agreed between the parties concerned not disclosed elsewhere in the financial statements as follows:

	2020 US\$	2019 US\$
Sales to holding company	230,051,252	233,867,244

**(b) Key Management Compensation**

Key management's remuneration includes salary and other emoluments computed based on the cost incurred by the company and where the company did not incur any costs, the value of the benefit is included. The key management's remuneration included in staff cost is as follow:

	2020 US\$	2019 US\$
Director's fee	14,557	15,052

The above staff costs include key management personnel. These key management personnel is holding managerial position and above.

**20. Financial Risk Management**

The Company's activities expose it to credit risk, liquidity risk, capital risk and market risk (pertaining to price risk, interest rate risk and currency risk). The Company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company.

**(a) Capital Management**

The Company's objectives when managing capital are:

- (a) To safeguard the Company's ability to continue as a going concern;
- (b) To support the Company's stability and growth;
- (c) To provide capital for the purpose of strengthening the Company's risk management capability; and
- (d) To provide an adequate return to shareholders.



**20. Financial Risk Management (Cont'd)****(a) Capital Management (Cont'd)**

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder return, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity.

	2020 US\$	2019 US\$
Trade payables	2,018,531	1,509,033
Amounts owing to bankers	64,387,379	91,609,009
	66,405,910	93,118,042
Cash and cash equivalents (Note 6)	(14,286,792)	(13,426,828)
	52,119,118	79,691,214
 Total Equity	 15,107,603	 13,931,710
 Gearing	 3.45	 5.72

**(b) Credit Risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables and loan to the holding company. For other financial assets (including investment securities and cash), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty

To minimise credit risk, the Company has developed and maintained the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:



**20. Financial Risk Management (Cont'd)****(b) Credit Risk (Cont'd)**

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- Significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

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

Category	Definition of category	Basis for recognition of expected credit losses (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

**20. Financial Risk Management (Cont'd)****(b) Credit Risk (Cont'd)**

The table below details the credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

31 March 2020	Note	Category	12-month or lifetime ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
Trade receivables	3	*	Lifetime ECL (simplified)	65,016,977	-	65,016,977
Other receivables	4	I	12-month ECL	54,400	-	54,400
Cash and cash equivalents	6	I	12-month ECL	14,286,792	-	14,286,792
				<u>79,358,169</u>	<u>-</u>	<u>79,358,169</u>

31 March 2019	Note	Category	12-month or lifetime ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
Trade receivables	3	*	Lifetime ECL (simplified)	93,827,273	-	93,827,273
Other receivables	4	I	12-month ECL	71,292	-	71,292
Cash and cash equivalents	6	I	12-month ECL	13,426,828	-	13,426,828
				<u>107,325,393</u>	<u>-</u>	<u>107,325,393</u>



**20. Financial Risk Management (Cont'd)****(b) Credit Risk (Cont'd)****\*Trade receivables**

For trade receivables, the Company has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Company determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

	0 - 30 days	31 - 60 days	61 - 90 days	91 - 180 days	More than 180 days	Total
<b>31 March 2020</b>	US\$	US\$	US\$	US\$	US\$	US\$
Trade receivables	65,016,977	-	-	-	-	65,016,977
Loss Allowances	-	-	-	-	-	-
	0 - 30 days	31 - 60 days	61 - 90 days	91 - 180 days	More than 180 days	Total
<b>31 March 2019</b>	US\$	US\$	US\$	US\$	US\$	US\$
Trade receivables	33,058,091	17,399,397	21,118,731	22,251,054	-	93,827,273
Loss Allowances	-	-	-	-	-	-

**Excessive risk concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

**Exposure to credit risk**

The Company has no significant concentration of credit risk other than those balances with holding company comprising 100% (2019: 100%) of trade receivables. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

**Other receivables**

The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

**20. Financial Risk Management (Cont'd)****(b) Credit Risk (Cont'd)****Cash and cash equivalents**

The Company held cash and cash equivalents as stated in note 6. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on independent rating agencies.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

**(c) Liquidity Risk**

The Company monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Such liquidity risks are minimised by the amount of cash and bank balances as stated in Note 6.

**(d) Market Risk****(i) Price risk**

The Company has no exposure to equity price risk as it does not hold equity financial assets that are exposed to price risk.

**(ii) Interest rate risk**

Interest rate risk is the risk that changes in interest rates will have an adverse financial effect on the Company's financial conditions and / or results. The primary source of the Company's interest rate risk is its borrowings from banks in Singapore. The Company incurs net financing costs during the year.

The Company ensures that it obtains borrowings at competitive interest rates.

The following table sets out the carrying amount of the Company's financial instruments, that are exposed to interest rate risk:

	2020 US\$	2019 US\$
<u>Floating rates</u>		
Amounts owing to bankers	64,387,379	91,609,009



**20. Financial Risk Management (Cont'd)**

**(d) Market Risk (Cont'd)**

**(ii) Interest rate risk (Cont'd)**

Interest in financial instruments subject to floating interest rates is repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Company that are not included in the above table are not subject to interest rate risks.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If the interest rates had been 1% higher / lower and all other variables were held constant, the Company's profit for the year ended 31 March 2020 would decrease / increase by an average of US\$994,682 (2019: US\$1,047,709). This is attributable to the Company's exposure to interest rates on its variable rates on the average outstanding amounts owing to bankers over 12 months.

**(iii) Foreign currency risk**

The Company is exposed to currency risk on sales that are denominated in a currency other than the functional currency of the Company. The currencies in which these transactions primarily are denominated are the Singapore dollar (SGD) and Indian Rupee (INR).

At any point in time, the Company hedges 100% of all trade receivables denominated in a foreign currency. The Company uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts generally are designated as fair value hedges.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

**20. Financial Risk Management (Cont'd)****(d) Market Risk (Cont'd)****(iii) Foreign currency risk (Cont'd)**

The summary of quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

Denominated in: US\$ equivalents	2020			Total
	INR US\$	SGD US\$	US\$ US\$	US\$
<b><u>Financial Assets</u></b>				
Sundry deposit	-	19,092	-	19,092
Trade receivables	2,440,097	-	62,576,880	65,016,977
Other receivables	-	-	54,400	54,400
Derivative	-	-	152,503	152,503
Cash and cash equivalents	-	7,721	14,279,071	14,286,792
	2,440,097	26,813	77,062,854	79,529,764
<b><u>Financial Liabilities</u></b>				
Trade payables	-	-	2,018,531	2,018,531
Accruals	-	21,211	292,670	313,881
Amounts owing to bankers	-	-	64,387,379	64,387,379
	-	21,211	66,698,580	66,719,791
Net financial assets	2,440,097	5,602	10,364,274	12,809,973
Less : Net financial assets denominated in the Company's functional currency	-	-	(10,364,274)	(10,364,274)
Net currency exposure	2,440,097	5,602	-	2,445,699
Exposure based on 10%	244,010	560	-	244,570



**20. Financial Risk Management (Cont'd)****(d) Market Risk (Cont'd)****(iii) Foreign currency risk (Cont'd)**

Denominated in: US\$ equivalents	SGD	2019 US\$	Total
	US\$	US\$	US\$
<b><u>Financial Assets</u></b>			
Sundry deposit	19,092	-	19,092
Trade receivables	-	93,827,273	93,827,273
Other receivables	-	71,292	71,292
Cash and cash equivalents	8,113	13,418,715	13,426,828
	27,205	107,317,280	107,344,485
<b><u>Financial Liability</u></b>			
Trade payables	-	1,509,033	1,509,033
Accruals	21,706	784,596	806,302
Amounts owing to bankers	-	91,609,009	91,609,009
	21,706	93,902,638	93,924,344
Net financial assets	5,499	13,414,642	13,420,141
Less : Net financial assets denominated in the Company's functional currency	-	(13,414,642)	(13,414,642)
Net currency exposure	5,499	-	5,499
Exposure based on 10%	550	-	550

**21. Fair Value of Assets and Liabilities**

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties.

**(a) Fair value hierarchy**

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

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company 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.

**21. Fair Value of Assets and Liabilities (Cont'd)****(a) Fair value hierarchy (Cont'd)**

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.

**(b) Cash and cash equivalents, other receivables and accruals**

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

**(c) Trade receivables and trade payables**

The carrying amounts of these receivables and payables approximate their fair values as they are subject to normal trade credit terms.

**(d) Property, plant & equipment**

Fair value information has not been disclosed for property, plant and equipment that are carried at cost because fair value cannot be measured reliably.

**(e) Amount owing to bankers**

The carrying amounts of amount owing to bankers approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

**(f) Liabilities measured at fair value**

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

<b>Fair value measurements at the end of the reporting period using</b>			
Quoted prices in active markets for identical instruments (Level 1) US\$	Significant observable inputs other than quoted prices (Level 2) US\$	Unobservable inputs (Level 3) US\$	Total US\$
<b>2020</b>			
<u>Derivatives</u>			
Forward currency contracts	-	152,503	152,503
<b>2019</b>			
<u>Derivatives</u>			
Forward currency contracts	-	-	-



## **22. Critical Accounting Estimates, Assumptions and Judgments**

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **(a) Expected credit losses (ECL) on trade receivables**

ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Company has used relevant historical information and loss experience to determine the probability of default of the instruments and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgements.

In determining the ECL of trade receivables, the Company has used one year of historical losses data to determine the loss rate and applied an adjustment against the historical loss rate based on the change in Gross Domestic Product (GDP) and unemployment rate to reflect the current and forward-looking information.

As at reporting date, no ECLs for trade receivables are being recognised.

### **(b) Uncertain tax positions**

Significant judgment is involved in determining the capital allowance and deductibility of certain expenses during the estimation of the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Company's income tax liabilities at 31 March 2020 was approximately US\$133,288 (2019: US\$175,755).

### **(c) Determination of lease term of contracts with extension options**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Company reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend

NOTES TO FINANCIAL STATEMENTS (Cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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**23. Financial Instruments by Category**

At the reporting date, the aggregate carrying amounts of financial assets and financial liabilities were as follows:-

	2020 US\$	2019 US\$
Financial assets, at amortised cost	79,377,261	107,344,485
Financial liabilities, at amortised cost	<u>66,719,791</u>	<u>93,924,344</u>

**24. Holding Company**

The immediate and ultimate holding company is MRF Limited, a company incorporated in India.

**25. General**

The Company is incorporated in the Republic of Singapore with its registered office and principal place of business at situated 11 Collyer Quay, #10-15 The Arcade, Singapore 049317.

The principal activities of the Company are those of sourcing and supplying materials.

There have been no significant changes in the nature of these activities during the financial year.

**26. Authorisation of Financial Statements**

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of MRF SG PTE. LTD. on



MRF SG PTE. LTD.  
(Registration No.: 201421655R)  
DETAILED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	2020 US\$	2019 US\$
<b>TURNOVER</b>	230,051,252	233,867,244
<b>OTHER INCOME</b>	246,583	220,153
	<u>230,297,835</u>	<u>234,087,397</u>
<b>LESS: EXPENSES</b>		
<b>Purchase of traded goods</b>	(225,784,978)	(228,755,811)
<b>Employee benefits expenses</b>		
Salaries, bonus and allowances	(260,633)	(234,326)
CPF & other contributions	(19,034)	(17,042)
	<u>(279,667)</u>	<u>(251,368)</u>
<b>Depreciation</b>	(342)	(1,820)
<b>Finance costs</b>		
Bank charges	(170,975)	(156,652)
Loan interest	(2,612,478)	(2,905,567)
	<u>(2,783,453)</u>	<u>(3,062,219)</u>
<b>Other expenses</b>		
Auditor remuneration	(22,041)	(18,016)
Director's fee	(14,557)	(15,052)
Insurance	(5,267)	(3,091)
Loss on foreign exchange	10,313	(102,906)
Miscellaneous expenses	(11,687)	(49,183)
Personnel selection expense	(3,709)	(2,516)
Postage & courier	(5,739)	(5,006)
Rental	(63,912)	(65,157)
Stamp & registration fees	-	(512)
Tax fees	(3,440)	(3,637)
Telecommunication	(3,759)	(3,712)
Travelling expenses	(17,360)	(19,526)
	<u>(141,158)</u>	<u>(288,314)</u>
<b>PROFIT BEFORE TAX</b>	<b>1,308,237</b>	<b>1,727,865</b>
<b>INCOME TAX EXPENSE</b>		
Income tax refund	944	7,509
Current year tax expense	(133,288)	(175,755)
	<u>(132,344)</u>	<u>(168,246)</u>
<b>PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>1,175,893</u></b>	<b><u>1,559,619</u></b>

This statement does not form part of the audited statutory financial statements of the Company