

Company Registration No: 201408829H

AFCONS OVERSEAS SINGAPORE PTE. LTD.
(Incorporated in Singapore)

**DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS**

31 MARCH 2021

AFCONS OVERSEAS SINGAPORE PTE. LTD.
(Incorporated in Singapore)

31 MARCH 2021

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AFCONS OVERSEAS SINGAPORE PTE. LTD.
(Incorporated in Singapore)

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

The directors present their statement to the members together with the audited financial statements of Afcons Overseas Singapore Pte. Ltd. (the "Company") for the financial year ended 31 March 2021.

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 2021 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.

1 Directors

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

Padmakumar Unnikrishnan

Ashok Ghanshyam Darak (Appointed on 04 February 2021)

Gokul Javalikar (Appointed on 04 February 2021)

2 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 object was 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.

3 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, none of the directors of the Company who held office at the end of the financial year had any interest in shares or debentures of the Company and its related corporations, either at the beginning of the financial year, date of appointment or at the end of the financial year.

4 Share Options

During the financial year, no options to take up unissued shares of the Company were granted.

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

These are no unissued shares of the Company under option at the end of the financial year.

AFCONS OVERSEAS SINGAPORE PTE. LTD.
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DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021


5 Independent Auditors

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors



Padmakumar Unnikrishnan



Ashok Ghanshyam Darak

03 SEP 2021



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AFCONS OVERSEAS SINGAPORE PTE. LTD.

(Incorporated in Singapore)

Report on the Audit of the Financial Statements

Disclaimer of Opinion

1. We were engaged to audit the financial statements of Afcons Overseas Singapore Pte. Ltd. (the "Company") which comprise the statement of financial position of the Company as at 31 March 2021, the statement of 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.
2. We do not express an opinion on the financial statements of the Company. The matters described in the "*Basis of Disclaimer of Opinion*" section of our report is significant and we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

3. Our independent auditor's report dated 26 November 2020 for the financial statements for the year ended 31 March 2020 expressed a disclaimer audit opinion as we were not able to obtain sufficient appropriate audit evidence, nor were we able to perform alternative audit procedures, to determine the appropriateness and reliability of the financial statements of the Guinea branch included in the financial statements of the Company. Consequently, we were unable to determine whether any adjustments to the financial statements as of 31 March 2020 were necessary. An update of the matters that gave rise to the disclaimer opinion in respect of the financial statements for the year ended 31 March 2021 is set out in paragraphs 4 to 5 below.

Limitation of scope on the audit of Afcons Overseas Singapore Pte. Ltd. - Guinea Operation ("Guinea Branch")

4. Included in the Company's total assets and total liabilities is an amount of S\$9,107,000 and S\$3,831,000 (2020: S\$13,879,000 and S\$1,180,000) contributed by the Company's Guinea Branch. The Guinea Branch also contributed S\$199,000, S\$Nil and S\$6,436,000 (2020: S\$16,491,000, S\$3,596,000 and S\$17,905,000) to the Company's total revenue, other income and total expenses during the current financial year.
5. We were unable to obtain the necessary information and explanations from the auditors of the Guinea Branch to determine the appropriateness and reliability of the financial statements of the branch included in the financial statements of the Company for the financial year ended 31 March 2021. Accordingly, we were unable to perform the necessary audit procedures, nor were we able to perform alternative audit procedures, on the balances included in the financial statements of the Company, referred to in paragraph 4 above.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
AFCONS OVERSEAS SINGAPORE PTE. LTD.
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(cont'd)

Basis for Disclaimer of Opinion (cont'd)

6. *Existence of inventories of Ivory Coast Branch*

Included in the Company's inventories is an amount of S\$4,997,000 contributed by the Company's Ivory Coast Branch. The auditors of the Ivory Coast Branch did not observe the counting of the physical inventories as at 31 March 2021. Accordingly, we were unable to perform the necessary audit procedures, nor were we able to perform alternative audit procedures, on the balances included in the financial statements of the Company.

7. As a result of the matters described in paragraphs 4 to 6 above, we were unable to obtain sufficient appropriate audit evidence on the completeness, existence and accuracy of the amounts recorded in the financial statements of the Company for the financial year ended 31 March 2021. Consequently, we were unable to determine whether any audit adjustments might have been necessary and/or additional disclosures to the financial statements was necessary.

Responsibilities of Management and Directors for the Financial Statements

8. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("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.
9. 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.
10. The directors' responsibilities include overseeing the Company's financial reporting process.



MOORE

MOORE STEPHENS LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AFCONS OVERSEAS SINGAPORE PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

11. Our responsibility is to conduct an audit of the Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the "*Basis for Disclaimer of Opinion*" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
12. 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.

Report on Other Legal and Regulatory Requirements

13. In our opinion, except for the matters referred to in the "*Basis for Disclaimer of Opinion*" section of our report, 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.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
3 September 2021

AFCONS OVERSEAS SINGAPORE PTE. LTD.
(Incorporated in Singapore)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	<u>Note</u>	<u>2021</u> S\$	<u>2020</u> S\$
Revenue	4	67,463,794	85,939,552
Cost of sales		(35,046,523)	(59,157,584)
Gross profit		<u>32,417,271</u>	<u>26,781,968</u>
Other operating income		37,458,347	769,063
Administrative expenses		(15,536,932)	(19,005,933)
Profit before income tax	6	54,338,686	8,545,098
Income tax	7	<u>-</u>	<u>-</u>
Net profit for the year		54,338,686	8,545,098
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences on translating to the presentation currency		(2,891,673)	(323,307)
Total comprehensive income for the year		<u><u>51,447,013</u></u>	<u><u>8,221,791</u></u>

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

AFCONS OVERSEAS SINGAPORE PTE. LTD.
(Incorporated in Singapore)

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	<u>Note</u>	<u>2021</u> S\$	<u>2020</u> S\$
ASSETS			
Non-Current Asset			
Investment in subsidiaries	8	5,441	1,072,114
Plant and equipment	9	807,649	950,557
		<u>813,090</u>	<u>2,022,671</u>
Current Assets			
Inventories	10	9,375,401	8,154,087
Trade receivables	11	17,569,579	21,296,883
Contract assets	4	3,303,709	6,453,023
Other receivables and prepayments	12	2,679,483	635,796
Amounts due from subsidiaries and related parties	13	33,046,210	36,023,539
Cash and cash equivalents	14	42,991,258	38,562,389
		<u>108,965,640</u>	<u>111,125,717</u>
Total Assets		<u><u>109,778,730</u></u>	<u><u>113,148,388</u></u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	15	50,500	50,500
Translation reserve	16	(1,120,406)	1,771,267
Retained earnings		67,556,622	27,155,936
		<u>66,486,716</u>	<u>28,977,703</u>
Current Liabilities			
Trade and other payables	17	38,718,022	40,420,017
Amounts due to related parties	18	4,573,992	43,750,668
		<u>43,292,014</u>	<u>84,170,685</u>
Total Liabilities		<u>43,292,014</u>	<u>84,170,685</u>
Total Equity and Liabilities		<u><u>109,778,730</u></u>	<u><u>113,148,388</u></u>

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

AFCONS OVERSEAS SINGAPORE PTE. LTD.
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STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	<u>Share capital</u> S\$	<u>Translation reserve</u> S\$	<u>Retained earnings</u> S\$	<u>Total</u> S\$
Balance at 1 April 2020	50,500	1,771,267	27,155,936	28,977,703
Net profit for the year	-	-	54,338,686	54,338,686
Other comprehensive (loss)	-	(2,891,673)	-	(2,891,673)
Total comprehensive (loss)/income for the year	-	(2,891,673)	54,338,686	51,447,013
Payment of dividend	-	-	(13,938,000)	(13,938,000)
Balance at 31 March 2021	50,500	(1,120,406)	67,556,622	66,486,716
Balance at 1 April 2019	50,500	2,094,574	28,458,338	30,603,412
Net profit for the year	-	-	8,545,098	8,545,098
Other comprehensive (loss)	-	(323,307)	-	(323,307)
Total comprehensive (loss)/income for the year	-	(323,307)	8,545,098	8,221,791
Payment of dividend	-	-	(9,847,500)	(9,847,500)
Balance at 31 March 2020	50,500	1,771,267	27,155,936	28,977,703

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

AFCONS OVERSEAS SINGAPORE PTE. LTD.
(Incorporated in Singapore)

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	<u>Note</u>	<u>2021</u> S\$	<u>2020</u> S\$
Cash Flows from Operating Activities			
Profit before income tax		54,338,686	8,545,098
Adjustments for:			
Depreciation		104,101	139,692
Interest income	6	(377,706)	(582,106)
(Gain) / loss on disposal of plant and equipment	6	(29,532)	379,126
Impairment loss on investment in subsidiaries		1,016,368	-
Impairment loss on amount due from subsidiaries		1,720,056	-
Plant and equipment written off	6	18,403	54,540
Operating cash flow before working capital changes		56,790,376	8,536,350
Changes in working capital:			
(Increase) in inventories		(1,221,314)	(4,969,607)
Decrease in trade receivables and contract assets		6,011,782	992,009
(Increase)/Decrease in other receivables and prepayments		(3,374,241)	244,171
(Decrease)/Increase in trade and other payables and contract liabilities		(1,704,718)	26,587,617
(Decrease) in amounts due to immediate holding company		(979,145)	-
Decrease/(Increase) in amounts due to related parties - trade		109,683	(863,981)
Net cash generated from operating activities		<u>55,632,423</u>	<u>30,526,559</u>
Cash Flows from Investing Activities			
Funds to related parties		(551,245)	(20,940,094)
Repayment from related parties		324,003	15,883,057
Funds to subsidiaries		(72,603)	-
Repayment from subsidiaries		178,245	-
Purchase of plant and equipment		(41,164)	(434,490)
Proceeds from disposal of plant and equipment		12,585	37,942
Net cash (used in) investing activities		<u>(150,179)</u>	<u>(5,453,585)</u>
Cash Flows from Financing Activities			
Dividend paid		(13,938,000)	(9,847,500)
(Repayment to)/ from immediate holding company		(43,433)	(299,017)
Funds from subsidiaries		(34,955,563)	14,086,220
Net cash (used in)/generated from financing activities		<u>(48,936,996)</u>	<u>3,939,703</u>

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

AFCONS OVERSEAS SINGAPORE PTE. LTD.
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STATEMENT OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	<u>Note</u>	<u>2021</u> S\$	<u>2020</u> S\$
Net increase in cash and cash equivalents		6,545,248	29,012,677
Cash and cash equivalents			
at the beginning of the financial year		38,562,389	9,697,028
Effects of changes in foreign exchange rate on cash and cash equivalents		<u>(2,116,379)</u>	<u>(147,316)</u>
Cash and cash equivalents			
at the end of the financial year	14	<u>42,991,258</u>	<u>38,562,389</u>

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

AFCONS OVERSEAS SINGAPORE PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

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

1 General Information

Afcons Overseas Singapore Pte. Ltd. (the “Company”) is a private limited liability company incorporated and domiciled in Singapore. The address of the Company’s registered office and principal place of business is 33 Ubi Avenue 3, #08-68 Vertex, Singapore 408868.

The immediate holding company of the Company is Afcons Infrastructure Limited, a company incorporated in India. The Company’s ultimate controlling entity is Shapoorji Pallonji and Company Private Limited, a company incorporated in India.

The principal activities of the Company are that of an investment holding company, and engaging in engineering, procurement and construction. The principal activities of the subsidiaries are set out in Note 8.

The Company has a branch in the United Arab Emirates (the “Dubai Branch”) whose principal activities include trading in heavy equipment, construction equipment, handling, loading and lifting equipment and related spare parts. The principal place of business of its Dubai branch is located at Dubai Airport Free Zone, Building 6A/West Wing, Office Number 213, Dubai, United Arab Emirates.

The Company has a branch in the Republic of Guinea (the “Guinea Branch”) whose principal activities include activities related to engineering in general, procurement and construction management. The principal place of business of its Guinea branch is located at Commune de Kaloum, Quartier Manquepas, Immeuble Kachour, 1^{er} étage, Bloc B, Conakry, Guinea.

The Company has a branch in the Republic of Côte d'Ivoire (the “Ivory Coast Branch”) whose principal activities related to engineering in general, procurement and construction management. The principal place of business of its Ivory Coast Branch is located at 01 BP 2205 San-Pedro 01, Tier Corniche, San Pedro, Ivory Coast.

These financial statements were authorised for issue in accordance with a resolution of the directors on the date of the Directors’ Statement.

AFCONS OVERSEAS SINGAPORE PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and Financial Reporting Standards in Singapore (“FRS”). The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The preparation of 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 that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingent liabilities at the end of each reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Areas involving a higher degree of judgement or complexity and critical accounting estimates and assumptions used that are significant to the financial statements are disclosed in Note 3.

(b) New/Revised FRS

Adoption of New/Revised FRS which are effective

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 revised standards that are relevant to the Company and are mandatory for application for the current financial year effective for annual financial periods beginning on or after 1 April 2020. The adoption of these new and revised standards did not result in substantial changes to the Company’s accounting policies and had no material have any material effect on the financial performance or the financial position of the Company.

AFCONS OVERSEAS SINGAPORE PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2 Summary of Significant Accounting Policies (cont'd)

(b) New/Revised FRS (cont'd)

New/Revised FRS issued but not yet effective

At the date of authorisation of these financial statements, the following new and revised standards that have been issued and are relevant to the Company but are not yet effective:

Description	Effective for accounting periods beginning on or after
Amendments to FRS 116 <i>Covid-19-Related Rent Concessions</i>	1 June 2020
Amendments to FRS 109 <i>Financial Instruments</i> , FRS 39 <i>Financial Instruments: Recognition and Measurement</i> , FRS 107 <i>Financial Instruments: Disclosures</i> , FRS 116 <i>Leases Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Amendment to FRS 116 <i>Covid-19 Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to FRS 116: <i>Property, Plant and Equipment - Proceeds before intended Use</i>	1 January 2022
Amendments to FRS 37: <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to FRSs 2018-2020	1 January 2022
Amendments to FRS 1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to FRS 1 and FRS: Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to FRS 1: <i>Definition of Accounting Estimates</i> and Amendments to FRS 8: <i>Definition of Accounting Estimates</i>	1 January 2023

The Company anticipates that the adoption of the new and revised standards above will have no material impact on the financial statements in the period of initial application.

(c) Basis of Combination

The accompanying financial statements of the Company include the accounts of its overseas branches in Dubai, Guinea and Ivory Coast, referred to hereafter as the “Branches”. All significant transactions and accounts between the Company and the Branches have been eliminated.

The Branches prepare their financial statements under the historical cost convention in accordance with Financial Reporting Standards in Singapore.

AFCONS OVERSEAS SINGAPORE PTE. LTD.
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2 Summary of Significant Accounting Policies (cont'd)

(d) Foreign Currencies

Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). Management has determined the functional currency of the Company to be United States dollar (“USD”), as it best reflects the economic substance of the underlying events and circumstances relevant to the Company.

The financial statements are presented in Singapore dollars (“S\$”) (the “presentation currency”) due to the information requirements of management.

The results and financial position of all the entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

Transactions and Balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of such transactions. Currency translation differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value was determined.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2 Summary of Significant Accounting Policies (cont'd)

(e) Investment in Subsidiaries

A subsidiary is an entity (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is fully consolidated from the date on which control is transferred to the Company. It is deconsolidated from the date that control ceases.

Investment in subsidiaries is stated at cost less accumulated impairment losses in the Company's statement of financial position. An assessment of investment in subsidiaries is performed when there is an indication that the investment may have been impaired.

On disposal of investment in a subsidiary, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

Non-Consolidation

The Company has not prepared one set of financial statements of the Company and its subsidiary as:

- (i) The Company is a wholly owned subsidiary of Afcons Infrastructure Limited, a company incorporated in India;
- (ii) The Company's equity instruments are not traded in a public market;
- (iii) The Company did not file, nor is in the process of filing its financial statements for the purpose of issuing any class of instruments in a public market; and
- (iv) The Company's immediate holding company, Afcons Infrastructure Limited, produces consolidated financial statements available for public use.

The registered office of the immediate holding company is at Afcons House, 16, Shah Industrial Estate, Veera Desai Road, Azadnagar, Andheri (West), Mumbai 400053.

(f) Inventories

Inventories comprising goods held for sale and consumable goods are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. Allowance is made for slow moving and obsolete inventories.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2 Summary of Significant Accounting Policies (cont'd)

(g) Impairment of Non-Financial Assets

Non-financial assets are tested for impairment whenever there is any indication that these assets may be impaired.

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount where the revaluation was taken to other comprehensive income. In this case, such impairment loss of revalued asset is treated as a revaluation decrease.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

AFCONS OVERSEAS SINGAPORE PTE. LTD.
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2 Summary of Significant Accounting Policies (cont'd)

(h) Financial Assets

(i) *Classification and Measurement*

Financial assets that are debt instruments comprise of “trade receivables”, “contract assets”, “other receivables”, “amounts due from subsidiaries and related parties” and “cash and cash equivalents”. The Company classifies these assets into financial assets measured at amortised cost based on the Company’s business model for managing them and their contractual cash flow characteristics. Financial assets measured at amortised cost comprise of assets that are held within the business model whose objective is to hold those assets for collection of contractual cash flows, and those contractual cash flows represent solely payments of principal and interest.

Initial Recognition

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent Measurement

These assets are subsequently measured at amortised cost using effective interest method unless they are part of a designated hedging relationship. Impairment losses and reversals, interest income, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit or loss. Interest income is based on the effective interest method which allocates interest income over the life of the financial asset based on an effective interest rate that discounts estimated future cash receipts to its gross carrying amount.

(ii) *Impairment*

The Company assesses on a forward looking basis the expected credit losses associated with the financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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2 Summary of Significant Accounting Policies (cont'd)

(h) Financial Assets (cont'd)

(ii) *Impairment* (cont'd)

Simplified approach – Trade receivables and contract assets

The Company applies the simplified approach to provide ECLs for trade receivables and contract assets. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate

General approach - Other financial instruments

The Company applies the general approach to provide for ECLs on other financial instruments, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Company's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 12 months past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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2 Summary of Significant Accounting Policies (cont'd)

(h) Financial Assets (cont'd)

(ii) *Impairment* (cont'd)

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 the financial asset have occurred. At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired.

Evidence that a financial asset is credit-impaired includes the observable data about the following events:

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

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) *Recognition and Derecognition*

Financial assets are recognised when, and only when the Company becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

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2 Summary of Significant Accounting Policies (cont'd)

(h) Financial Assets (cont'd)

(iii) *Recognition and Derecognition* (cont'd)

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise the fair value changes in other comprehensive income.

(i) Financial Liabilities

The Company shall recognise a financial liability on its statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value, plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integrated part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial liabilities are presented as "trade and other payables" and "amounts due to related parties" on the statement of financial position.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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2 Summary of Significant Accounting Policies (cont'd)

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise bank balances which are subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(k) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(l) Revenue Recognition

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.

Sale of goods

Revenue on the sale of goods is recognised when control of the goods has transferred, being when the goods are delivered to the customer. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable.

Construction

The Company provides engineering & construction services and generates revenue under construction contracts with customers. Such contracts are entered into before construction begins. Revenue is recognised when control over the construction contract has been transferred to the customer, either over time or at a point in time, depending on the contractual terms.

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2 Summary of Significant Accounting Policies (cont'd)

(l) Revenue Recognition (cont'd)

Construction

For engineering & construction contracts whereby, the Company is contractually restricted from redirecting to another customer and has an enforceable right to payment for performance completed to date, revenue is recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Company considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under FRS 115.

For construction contracts in progress, the Company becomes entitled to invoice customers based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work and an invoice for the related milestone payment. A contract asset is recognised for the Company's right to consideration for the work performed under the contract but not billed to the customer. Conversely, a contract liability is recognised when the Company received advance consideration from customer or progress billings issued in excess of the Company's rights to consideration under the contract. Contract assets are transferred to trade receivables when the rights to the consideration become unconditional. Contract liabilities are recognised as revenue as the Company performs the work under the contract.

(m) Leases

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.

When the Company is the 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.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease terms.

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2 Summary of Significant Accounting Policies (cont'd)

(m) Leases (cont'd)

When the Company is the lessee (cont'd)

Right-of-use assets (cont'd)

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2(g).

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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.

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2 Summary of Significant Accounting Policies (cont'd)

(n) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The Company recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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2 Summary of Significant Accounting Policies (cont'd)

(o) Plant and Equipment

Plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment losses.

The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purposes other than to produce inventories.

Depreciation is calculated on the straight-line method to write off the cost of plant and equipment over their estimated useful lives. The estimated useful lives for plant and equipment are as follows:

Plant and machinery	- 12 years
Office equipment	- 5 years
Furniture and fittings	- 10 years
Motor vehicles	- 8 years

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

The residual values and useful life of plant and equipment are reviewed, and adjusted as appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(p) Related Party

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the "reporting entity").

- a. A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;

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2 Summary of Significant Accounting Policies (cont'd)

(p) Related Party (cont'd)

- a. A person or a close member of that person's family is related to a reporting entity if that person: (cont'd)
- ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b. An entity is related to a reporting entity if any of the following conditions applies:
- i. the entity and the reporting entity are members of the same Company (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 Company 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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - 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); or
 - viii. the entity or any member of a Company of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 2 above, the management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(a) Critical Judgements in applying the Company's Accounting Policies

In the process of applying the Company's accounting policies, which are described above, the management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. Impairment of investment in subsidiaries and amounts due from subsidiaries

Management assesses impairment of investment in subsidiaries whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost of disposal and value-in-use) of the investment is estimated to determine the impairment loss.

There was an allowance for impairment of investment in subsidiaries and amount due from subsidiaries made for the financial year ended 31 March 2021 at S\$1,016,368 and S\$1,720,056 respectively (2020: Nil) and the carrying amount of the investment in subsidiaries and amounts due from subsidiaries are disclosed in Note 8 and 13, respectively.

ii. Allowance for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 20(a)(i).

The carrying amount of the Company's trade receivables and contract assets as at 31 March 2021 and 2020 are disclosed in Notes 11 and 4(b) respectively.

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(b) Key Sources of Estimation Uncertainty (cont'd)

(c) *Allowance for expected credit losses of other receivables*

The Company applies the general approach to provide for ECLs on all other receivables (amount due from subsidiaries and related parties), which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition. At each reporting date, the Company assesses whether the credit risk of the other receivables has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Company's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Management have assessed and considered the other receivables to have low credit risk as there has been no significant increase in the risk of default on the receivables since initial recognition. There is no allowance for ECLs arising from these outstanding balances as the ECLs are not material. The information about the ECLs on the Company's other receivables is disclosed in Note 20.

4 Revenue

(a) Disaggregation of revenue from contract with customers

	<u>2021</u>	<u>2020</u>
	S\$	S\$
Sale of goods - point in time	37,658,384	686,218
Service income - over time	-	174,450
Contract revenue - over time	29,805,410	85,078,884
	<u>67,463,794</u>	<u>85,939,552</u>

Contract revenue is derived from the project to build a dry cargo terminal by the Ivory Coast branch.

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4 Revenue (cont'd)

(b) Contract balances

	<u>2021</u> S\$	<u>2020</u> S\$	<u>1 April 2020</u> S\$
Contract assets	3,303,709	6,453,023	28,702,228
Contract liabilities (Note 17)	(15,694,840)	(13,972,762)	-

Contract assets relate to the Company's right to consideration for engineering & construction work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when invoices are billed to the customer.

Contract liabilities relate to advance consideration received from customers, billings in excess of revenue recognised to-date and deferred revenue. Contract liabilities are recognised as revenue as (or when) the Company satisfies the performance obligations under its contracts.

Significant changes in the contract assets and contract liabilities balances during the financial year are disclosed as follows:

	<u>2021</u> S\$	<u>2020</u> S\$	<u>1 April 2020</u> S\$
Contract assets			
Contract assets reclassified to trade receivables	(3,149,314)	(28,702,228)	-
Additional work completed but not billed	-	6,453,023	28,702,228
Contract liabilities			
Revenue recognised at the beginning of the year	(8,121,285)	-	-
Additional advance received from customers	9,843,363	13,972,762	-

Management estimates the loss allowance on contract assets at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the contract assets at the end of the reporting period is past due. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the impairment loss on contract assets. The Company uses a similar approach for assessment of ECLs for the trade receivables as disclosed in Note 11.

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5 Staff Costs

	<u>2021</u>	<u>2020</u>
	S\$	S\$
Salaries and allowances	4,690,117	4,320,960
Other staff benefits	672,339	924,683
Staff accommodation – short-term lease expense	119,219	238,593
	<u>5,481,675</u>	<u>5,484,236</u>

The staff costs totaling S\$4,690,117 (2020: S\$4,320,960) were recharged by the immediate holding company to the Company during the current financial year.

6 Profit Before Income Tax

	<u>2021</u>	<u>2020</u>
	S\$	S\$
This was arrived at after charging/(crediting):		
Included in cost of sales:		
- Cost of inventories	22,364,810	20,534,135
- Technical consultancy**	5,405,278	11,245,045
- Clearing, forwarding, freight, transportation and LC charges	1,975,222	3,184,156
Included in other operating income:		
- Dividend income*	(37,051,109)	-
- Interest income	(579,474)	(582,106)
- Realised foreign exchange gain - net	-	(83,006)
- Gain on disposal of plant and equipment	(29,532)	-
Included in administrative expenses:		
- Impairment loss on investment in subsidiaries	1,016,368	-
- Impairment loss on amount due from subsidiaries	1,720,056	-
- Legal and professional fees#	5,450,842	8,411,765
- Loss on disposal of plant and equipment	-	379,126
- Realised foreign exchange loss - net	105,326	-
- Office rental – short-term operating lease	36,753	68,442
- Plant and equipment written off	18,403	54,540
- Staff costs (Note 5)	<u>5,481,675</u>	<u>5,484,236</u>

** Technical consultancy pertains mainly to the consultancy services for the construction works.

* Dividend income was dividend received from the Company's subsidiary, Afcons Overseas Project Gabon SARL.

Legal and professional fees pertain mainly to the consultancy services for the business developments and conferences of the branches.

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7 Income Tax

	<u>2021</u>	<u>2020</u>
	S\$	S\$
Current income tax	-	-

The income tax on the profit before income tax varies from the amount of income tax determined by applying the applicable tax rates in each jurisdiction the Company's entities operates due to the following factors:

	<u>2021</u>	<u>2020</u>
	S\$	S\$
Profit before income tax	54,338,686	8,545,098
Income tax calculated at applicable tax rates	6,143,246	1,452,667
Non-taxable income	(6,316,029)	(1,452,667)
Non-deductible expenses	172,783	-
	-	-

Non-taxable income represents mainly the branches income and dividend income which are exempted from tax.

The Singapore corporate tax rate applicable to the Company is 17% (2020: 17%).

The Dubai Branch of the Company resides in the United Arab Emirates (UAE). UAE does not have any enforced federal income tax legislation for general business. An income tax decree is restricted to foreign banks and to oil companies.

The Guinea Branch, being a subcontractor for the construction of the port material handling for the bauxite export project in Guinea, is exempt from any tax for all works undertaken in Guinea.

The Ivory Coast Branch, being a subcontractor for the construction to build a dry cargo terminal in the Ivory Coast, is exempted from any tax for all works undertaken in Ivory Coast.

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8 Investment in Subsidiaries

	<u>2021</u>	<u>2020</u>
	S\$	S\$
<u>Unquoted equity shares, at cost</u>		
At the beginning of the financial year	1,072,114	1,021,809
Less: Allowance for impairment loss	(1,016,368)	-
Currency realignment	(50,305)	50,305
At the end of the financial year	<u>5,441</u>	<u>1,072,114</u>

The movements in allowance for impairment of investment in subsidiaries during the year are as follows:

	<u>2021</u>	<u>2020</u>
	S\$	S\$
At 1 April	-	-
Impairment loss recognised profit or loss during the year	1,016,368	-
Written off	(1,016,368)	-
At 31 March	<u>-</u>	<u>-</u>

The details of the subsidiaries of the Company are as follows:

Name of subsidiary (Place of incorporation and operation)	Principal activities	Cost of investment		Effective equity interest held by the Company	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
		S\$	S\$	%	%
Afcons Infra Projects Kazakhstan Limited Liability Partnership (Republic of Kazakhstan)	Construction and installation works	3,024	1,069,565	100	100
Afcons Overseas Project Gabon SARL (Republic of Gabon)	Conclusion and execution of contracts of civil works and construction	2,417	2,549	100	100
		<u>5,441</u>	<u>1,072,114</u>		

On 27 October 2015, the Company incorporated Afcons Overseas Project Gabon SARL in the Republic of Gabon with a paid-up share capital of Central African Franc 1,000,000 (equivalent to S\$2,417 on the date of incorporation, fully subscribed in cash by the Company).

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8 Investment in Subsidiaries (cont'd)

During the financial year, management recognised an impairment loss of S\$1,016,368 (2019: S\$Nil) on the cost of investment in Afcons Infra Projects Kazakhstan Limited Liability Partnership, based on management's assessment on the financial positions of the subsidiary.

9 Plant and Equipment

	<u>Plant and Machinery</u> S\$	<u>Office Equipment</u> S\$	<u>Furniture and Fittings</u> S\$	<u>Motor Vehicles</u> S\$	<u>Total</u> S\$
2021					
<u>Cost</u>					
At 1 April 2020	651,120	142,252	101,414	180,129	1,074,915
Additions	30,598	5,111	5,455	-	41,164
Disposals/Written off	(2,194)	(25,096)	(28,786)	-	(56,076)
Translation difference	(48,965)	(6,285)	(9,371)	956	(63,665)
At 31 March 2021	630,559	115,982	68,712	181,085	996,338
<u>Accumulated depreciation</u>					
At 1 April 2020	68,533	36,732	18,216	877	124,358
Charge for the year	49,685	25,709	6,992	21,715	104,101
Disposals/Written off	(341)	(20,942)	(5,359)	-	(26,642)
Translation difference	(8,027)	(2,940)	(1,953)	(208)	(13,128)
At 31 March 2021	109,850	38,559	17,896	22,384	188,689
Net book value	520,709	77,423	50,816	158,701	807,649
2020					
<u>Cost</u>					
At 1 April 2019	690,380	180,213	157,619	291,134	1,319,346
Additions	181,467	71,698	6,396	174,929	434,490
Disposals/Written off	(238,820)	(113,927)	(65,440)	(292,115)	(710,302)
Translation difference	18,093	4,268	2,839	6,181	31,381
At 31 March 2020	651,120	142,252	101,414	180,129	1,074,915
<u>Accumulated depreciation</u>					
At 1 April 2019	52,714	85,533	17,499	6,301	162,047
Charge for the year	58,242	62,287	14,582	4,581	139,692
Disposals/Written off	(44,155)	(112,103)	(14,332)	(10,195)	(180,785)
Translation difference	1,732	1,015	467	190	3,404
At 31 March 2020	68,533	36,732	18,216	877	124,358
Net book value	582,587	105,520	83,198	179,252	950,557

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10 Inventories

	<u>2021</u>	<u>2020</u>
	S\$	S\$
At cost:		
- Other consumables	9,375,401	8,154,087

11 Trade Receivables

	<u>2021</u>	<u>2020</u>
	S\$	S\$
Trade receivables:		
- related party	4,073,705	4,375,379
- third party	13,495,874	16,921,504
	<u>17,569,579</u>	<u>21,296,883</u>

The trade receivables are unsecured, interest-free and repayable on normal credit terms.

The Company's credit risk exposure in relation to the amount due from a related company (trade) from contracts with customers as at 31 March 2021 and 2020 are set out in the provision matrix as presented below. The Company's provision for loss allowance is based on past due as the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments.

	← Past due (days) →				
	Current	0 - 30 days	31 to 60 days	> 61 days	Total
	S\$	S\$	S\$	S\$	S\$
<u>2021</u>	*	*	*	*	
Expected credit loss rate					
Trade receivables	2,943,020	2,344,640	4,536,519	7,745,400	17,569,579
Contract assets (Note 4(b))	-	-	-	3,303,709	3,303,709
	2,943,020	2,344,640	4,536,519	11,049,109	20,873,288
Loss allowance					
- lifetime ECL	-	-	-	-	-
					<u>20,873,288</u>
<u>2020</u>	*	*	*	*	
Expected credit loss rate					
Trade receivables	7,174,505	9,746,999	4,375,379	-	21,296,883
Contract assets (Note 4(b))	6,453,023	-	-	-	6,453,023
	13,627,528	9,746,999	4,375,379	-	27,749,906
Loss allowance					
- lifetime ECL	-	-	-	-	-
					<u>27,749,906</u>

* ECL rate considered immaterial.

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12 Other Receivables and Prepayments

	<u>2021</u>	<u>2020</u>
	S\$	S\$
<u>Other receivables:</u>		
Deposits	60,988	54,168
Advances to suppliers	2,325,638	306,315
Advances to employees	15,130	24,266
	<u>2,401,756</u>	<u>384,749</u>
VAT receivables	277,318	249,013
Prepayments	409	2,034
	<u>2,679,483</u>	<u>635,796</u>

Advances to suppliers pertain mainly to the advance payments made to the suppliers in relation to the supply of construction materials to the subsidiary for the project in Gabon and San Pedro, which the purchases of goods were completed subsequent to the financial year end.

13 Amounts due from Subsidiaries and Related Parties

	<u>2021</u>	<u>2020</u>
	S\$	S\$
Amounts due from subsidiaries (a)	163,715	4,066,286
Less: Allowance for impairment	-	(2,174,895)
	<u>163,715</u>	<u>1,891,391</u>
Amount due from related parties (b)	32,882,495	34,132,148
	<u>33,046,210</u>	<u>36,023,539</u>

The movements in allowance for impairment of amounts due from subsidiaries during the year are as follows:

	<u>2021</u>	<u>2020</u>
	S\$	S\$
At 1 April	2,174,895	2,072,844
Impairment loss recognised profit or loss during the year	1,720,056	-
Currency realignment	3,337	102,051
Written off	(3,898,288)	-
At 31 March	<u>-</u>	<u>2,174,895</u>

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13 Amounts due from Subsidiaries and Related Parties (cont'd)

- (a) The amounts due from subsidiaries and related parties are non-trade in nature, unsecured, interest-free and are repayable on demand in cash.
- (b) The amount due from related parties are non-trade in nature, unsecured, incurs interest rates from 1.50% to 4.60% per annum, and is repayable within three months from the date of statement of financial position.

14 Cash and Cash Equivalents

	<u>2021</u> S\$	<u>2020</u> S\$
As disclosed in the statement of cash flows:		
Cash on hand	8,093	21,126
Cash at bank	42,983,165	38,541,263
	<u>42,991,258</u>	<u>38,562,389</u>

15 Share Capital

	<u>2021</u>		<u>2020</u>	
	No. of ordinary shares	S\$	No. of ordinary shares	S\$
Issued and fully paid:				
At the beginning				
and end of the financial year	50,500	50,500	50,500	50,500

Ordinary shares do not have a par value.

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction at general meetings of the Company and rank equally with regards to the Company's residual assets.

16 Translation Reserve

The translation reserve arose due to the translation of the United States dollar (functional currency) denominated balances into the presentation currency of Singapore dollar. Translation differences are reconciled in the translation reserve.

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17 Trade and Other Payables

	<u>2021</u>	<u>2020</u>
	S\$	S\$
Trade payables		
- third parties	22,536,198	25,886,917
	<u>22,536,198</u>	<u>25,886,917</u>
Other payables:		
- Accrued operating expenses	484,261	560,338
- Sundry payables	2,723	-
Contract liabilities (Note 4)	15,694,840	13,972,762
	<u>38,718,022</u>	<u>40,420,017</u>

The trade payables are unsecured, interest-free and repayable on normal credit terms.

Sundry payables relate to charges and amount payable to sub-contractors.

18 Amounts due to Related Parties

	<u>2021</u>	<u>2020</u>
	S\$	S\$
<u>Trade</u>		
Amount due to a related party	540,639	132,002
Amount due to the immediate holding company	608,978	1,542,219
	<u>1,149,617</u>	<u>1,674,221</u>
<u>Non-trade</u>		
Amount due to the immediate holding company	-	43,433
	<u>1,149,617</u>	<u>1,717,654</u>
Advance received from subsidiaries	3,424,375	42,033,014
	<u>4,573,992</u>	<u>43,750,668</u>

The trade balances due to a related party, immediate holding company and ultimate controlling entity are unsecured, interest-free and are repayable on demand based on cash terms. These pertain mainly to the professional services rendered to the Company.

Advance received from subsidiaries are in relation to the supply of construction materials to the subsidiary for the project in Gabon and San Pedro.

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19 Related Party Transactions

(a) Transaction with Related Parties

A related party in the financial statements refers to member of the ultimate controlling entity's Company of entities.

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant transactions of the Company with related parties at mutually agreed amounts during the financial period:

	<u>2021</u> S\$	<u>2020</u> S\$
<u>With related parties</u>		
Professional service rendered to the Company	2,743,028	622,254
Purchase of goods	320,456	-
Interest income on loan to related parties	377,706	-
Funds to related parties	551,245	20,847,696
Repayment from related parties	324,003	-
	<hr/>	<hr/>
<u>With the ultimate controlling entity</u>		
Contract revenue billed from the Company	-	3,699,960
	<hr/>	<hr/>
<u>With the immediate holding company</u>		
Recharge of staff cost		4,275,023
Purchase of goods	201,490	-
Sales of goods	199,451	-
	<hr/>	<hr/>
<u>With subsidiaries</u>		
Sale of goods	-	503,582
Purchase of goods	11,548	-
Service income	-	174,450
Funds to the subsidiary	72,603	92,398
Repayment from the subsidiary	178,245	-
	<hr/>	<hr/>

(b) Key Management Personnel Compensation

The directors of the Company have not received any remuneration during the financial year other than director's fee of S\$16,382 (2020: S\$16,457) paid to a director.

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20 Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Company's activities expose it to foreign currency risk, interest rate risk, credit risk and liquidity 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 directors of the Company are responsible for setting the objectives and underlying principles of financial risk management for the Company.

Management reviews and agrees policies for managing the following risks:

(i) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables, loan receivables and cash and bank balances. 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 and generally do not require a collateral. The Company has no significant concentration of credit risk other than the amount due from related company which has low credit risk based on the latest financial performance and financial position of the related company.

The Company considers the probability of default upon initial recognition of financial 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 90 days or there is significant difficulty of the counterparty.

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

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20 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(i) *Credit risk* (cont'd)

Trade receivables and contract assets

As disclosed in Note 2(h)(ii), the Company uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets. In measuring the expected credit losses, trade receivables and contract assets are grouped based on their shared credit risk characteristics and numbers of days past due. The contract assets have substantially the same risk characteristics as the trade receivables from the same type of customers. Therefore, the Company has concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Loan and other receivables

As at 31 March 2021, the Company has amounts owing by third parties and amount due from subsidiaries and related parties as disclosed in Note 12 and 13, respectively. The Company assessed the latest performance and financial position of the counterparty, adjusted for the future outlook of the industry and country in which the counterparty operates in, and concluded that there has been no significant increase in credit risk since the initial recognition. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

For the purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in measuring the loss allowance using 12-month ECL and the Company has determined the ECL is insignificant.

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20 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(i) *Credit risk* (cont'd)

Cash and bank balances

The cash and bank balances are entered into with bank and financial institution counterparties, which are rated from A to B, based on rating agency ratings.

Impairment on cash and bank balances 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 bank balances have low credit risk based on the external credit ratings of the counterparties. The Company uses a similar approach for assessment of ECLs for cash and bank balances to those used for debt investments. The amount of the allowance on cash and bank balances was immaterial.

Credit risk grading guideline

The Company's management has established the Company's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Company's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades	Definition	Basis of recognition of expected credit loss (ECL)
i. Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit-impaired)
iii. Non-performing	There is evidence indicating that the asset is credit-impaired.	Lifetime ECL (credit impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty.	Asset is written off

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20 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(i) *Credit risk* (cont'd)

Credit risk exposure and significant credit risk concentration

The credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

	Internal credit rating	ECL	Gross carrying amount S\$	Loss allowance S\$	Net carrying amount S\$
<u>2021</u>					
Trade receivables (Note 11)	Performing	Lifetime ECL (Simplified)	17,569,579	-	17,569,579
Contract assets (Note 4(b))	Performing	Lifetime ECL (Simplified)	3,303,709	-	3,303,709
Other receivables (excluding advances and VAT receivables) (Note 12)	Performing	12-month ECL	60,988	-	60,988
Amounts due from subsidiaries (Note 13)	Non- Performing	Lifetime ECL (credit impaired)	167,999	-	167,999
Amounts due from related parties (Note 13)	Performing	12-month ECL	32,882,495	-	32,882,495

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20 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(i) *Credit risk* (cont'd)

Credit risk exposure and significant credit risk concentration (cont'd)

The credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows: (cont'd)

	Internal credit rating	ECL	Gross carrying amount S\$	Loss allowance S\$	Net carrying amount S\$
<u>2020</u>					
Trade receivables (Note 11)	Performing	Lifetime ECL (Simplified)	21,296,883	-	21,296,883
Contract assets (Note 4(b))	Performing	Lifetime ECL (Simplified)	6,453,023	-	6,453,023
Other receivables (excluding advances and VAT receivables) (Note 12)	Performing	12-month ECL	54,168	-	54,168
Amounts due from subsidiaries (Note 13)	Non- Performing	Lifetime ECL (credit impaired)	4,066,286	(2,174,895)	1,891,391
Amounts due from related parties (Note 13)	Performing	12-month ECL	32,132,148	-	32,132,148

(ii) *Foreign currency risk*

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on transactions that are denominated in a currency other than the functional currencies of the Company and the Branches. The functional currencies of the Company and the Branches are United States dollar ("US\$") and the presentation currency of the Company is S\$.

To manage the aforesaid foreign currency risk, the Company maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from revenue into foreign currency bank accounts which are primarily used for payments of expenses in the same currency denomination.

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20 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(ii) Foreign currency risk (cont'd)

The Company's foreign currency exposure based on the information provided to key management is as follows:

2021	<u>USD</u> S\$	<u>SGD</u> S\$	<u>EUR</u> S\$	<u>GNF</u> S\$	<u>MRO</u> S\$	<u>XOF</u> S\$	<u>Total</u> S\$
<u>Financial assets</u>							
Trade receivables	11,485,789	-	-	4,073,705	-	2,010,085	17,569,579
Contract asset	-	-	-	3,303,709	-	-	3,303,709
Other receivables*	-	-	-	-	-	60,988	60,988
Amounts due from subsidiaries and related parties	33,042,490	3,720	-	-	-	-	33,046,210
Cash and cash equivalents	7,880,072	50,450	33,912,297	4,178	-	1,144,261	42,991,258
	52,408,351	54,170	33,912,297	7,381,592	-	3,215,334	96,971,744
<u>Financial liabilities</u>							
Trade and other payables	8,888,877	35,251	-	725,744	-	29,068,150	38,718,022
Amounts due to related parties	3,288,372	(4,283)	-	-	-	1,289,903	4,573,992
	12,177,249	30,968	-	725,744	-	30,358,053	43,292,014
Net financial assets	40,231,102	23,202	33,912,297	6,655,848	-	(27,142,719)	53,679,730
Less: Net financial assets denominated in the functional currency of the Company	(40,231,102)	-	-	-	-	-	(40,231,102)
Currency exposure	-	23,202	33,912,297	6,655,848	-	(27,142,719)	13,448,628

* Excluded advances, VAT receivables and prepayment.

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20 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(ii) Foreign currency risk (cont'd)

The Company's foreign currency exposure based on the information provided to key management is as follows: (cont'd)

	USD S\$	SGD S\$	EUR S\$	GNF S\$	MRO S\$	XOF S\$	Total S\$
2020							
<u>Financial assets</u>							
Trade receivables	-	-	-	4,375,379	-	16,921,504	21,296,883
Contract asset	-	-	-	3,699,960	-	2,753,063	6,453,023
Other receivables*	-	-	-	-	-	54,168	54,168
Amounts due from subsidiaries and related parties	36,015,536	8,003	-	-	-	-	36,023,539
Cash and cash equivalents	29,022,752	50,450	5,313,321	82,540	-	4,093,326	38,562,389
	65,038,288	58,453	5,313,321	8,157,879	-	23,822,061	102,390,002
<u>Financial liabilities</u>							
Trade and other payables	12,071,608	22,000	-	1,179,722	-	27,146,687	40,420,017
Amounts due to related parties	43,750,668	-	-	-	-	-	43,750,668
	55,822,276	22,000	-	1,179,722	-	27,146,687	84,170,685
Net financial assets	9,216,012	36,453	5,313,321	6,978,157	-	(3,324,626)	18,219,317
Less: Net financial assets denominated in the functional currency of the Company	(9,216,012)	-	-	-	-	-	(9,216,012)
Currency exposure	-	36,453	5,313,321	6,978,157	-	(3,324,626)	9,003,305

* Excluded, and VAT receivables.

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20 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(ii) Foreign currency risk (cont'd)

Sensitivity analysis

	Increase/(Decrease) Profit before income tax	
	<u>2021</u>	<u>2020</u>
	S\$	S\$
SGD against USD		
- strengthened	1,160	1,823
- weakened	(1,160)	(1,823)
EUR against USD		
- strengthened	1,695,615	265,666
- weakened	(1,695,615)	(265,666)
GNF against USD		
- strengthened	332,792	348,908
- weakened	(332,792)	(348,908)
MRO against USD		
- strengthened	-	-
- weakened	-	-
XOF against USD		
- strengthened	(1,357,136)	(166,231)
- weakened	1,357,136	166,231

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20 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(iii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company has no external borrowing or interest-earned financial assets. Therefore, the Company is not exposed to any significant market risk for changes in interest rates. Hence, no sensitivity analysis is presented in the financial statements.

(iv) *Liquidity risk*

In the management of its liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The Company does not have any non-current liabilities. The current liabilities as at the reporting date approximate their expected contractual undiscounted cash outflows of financial liabilities.

(b) Fair Value Measurement

The directors of the Company consider that the fair values of financial assets and financial liabilities of the Company with a maturity of less than one year are a close approximation of their carrying amounts due to the relatively short-term maturity of these financial instruments.

21 Changes in Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities is as follows:

	1 April S\$	Cash Flows		Other changes*	31 March S\$
		<u>Proceeds</u> S\$	<u>Repayment</u> S\$	S\$	
<u>2021</u>					
Funds from subsidiaries	42,033,014	-	(34,955,563)	(3,648,792)	3,428,659
Amount due to the immediate holding company	43,433	-	(43,433)	-	-
	<u>42,076,447</u>	<u>-</u>	<u>(34,998,996)</u>	<u>(3,648,792)</u>	<u>3,428,659</u>

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

21 Changes in Liabilities Arising from Financing Activities (cont'd)

The reconciliation of movements of liabilities to cash flows arising from financing activities is as follows: (cont'd)

	1 April	Cash Flows		Other	31 March
	S\$	<u>Proceeds</u>	<u>Repayment</u>	<u>changes*</u>	S\$
		S\$	S\$	S\$	
2020					
Funds from subsidiaries	27,946,794	14,086,220	-	-	42,033,014
Amount due to the immediate holding company	342,450	-	(299,017)	-	43,433
	<u>28,289,244</u>	<u>14,086,220</u>	<u>(299,017)</u>	<u>-</u>	<u>42,076,447</u>

* Other changes include foreign exchange difference.

22 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, issue new shares, or obtain new borrowings.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2021 and 2020.

The Company monitors capital using a net debt-to-equity ratio which is net debt divided by total equity. Net debt is calculated as total liabilities less cash and cash equivalents. Total equity includes share capital and reserves attributable to equity holders of the Company.

	<u>2021</u>	<u>2020</u>
	S\$	S\$
Net debt/(cash)	300,756	45,608,296
Total equity	<u>66,486,716</u>	<u>28,977,703</u>
Net debt-to-equity ratio	<u>0.005</u>	<u>1.53</u>

The Company was not subject to any externally imposed capital requirements for the financial years ended 31 March 2021 and 2020.

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23 Impact of COVID-19 Pandemic

In March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The spread of COVID-19 has created a high level of uncertainty to the near-term global economic prospect and caused disruptions to various businesses. The Company is taking precautionary measures to deal with the COVID-19 outbreak in accordance with guidelines provided by the authorities.

Management is of the opinion that the COVID-19 pandemic has, to a certain extent, an impact on the Company's operations and financial performance for 2020. Management is closely monitoring the Company's businesses and has taken certain measures to deal with the impact including managing the Company's liquidity and/or to conserve cash flow. As the global COVID-19 situation remains very fluid at the date of these financial statements, the Company is currently unable to estimate the financial impact to the Company's financial performance for 2021. Notwithstanding this, management has determined that the COVID-19 pandemic has not created a material uncertainty that casts doubt on the Company's ability to continue as a going concern. Further details on the Company's going concern are disclosed in Note 3(b).

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THE FOLLOWING DETAILED INCOME STATEMENT
HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY
AND DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

AFCONS OVERSEAS SINGAPORE PTE. LTD.
(Incorporated in Singapore)

DETAILED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	<u>Singapore</u> <u>Operations</u> S\$	<u>Dubai</u> <u>Branch</u> S\$	<u>Guinea</u> <u>Branch</u> S\$	<u>Ivory Coast</u> <u>Branch</u> S\$	<u>Total</u> S\$
Revenue					
Sale of goods	-	37,458,931	199,453	-	37,658,384
Service income	-	-	-	-	-
Contract revenue	-	-	-	29,805,410	29,805,410
	-	37,458,931	199,453	29,805,410	67,463,794
Less: Cost of sales					
Cost of inventories	-	12,401,819	298,185	9,664,806	22,364,810
Technical consultancy	-	-	-	5,405,278	5,405,278
Clearing, forwarding, freight, transportation and LC charges	-	422,462	121,721	1,431,039	1,975,222
Other costs	-	-	38,445	5,262,768	5,301,213
	-	12,824,281	458,351	21,763,891	35,046,523
Gross profit	-	24,634,650	(258,898)	8,041,519	32,417,271
Add: Other operating income					
Interest income	-	377,706	-	-	377,706
Dividend income	37,051,109	-	-	-	37,051,109
Gain on disposal of plant and equipment	-	-	-	29,532	29,532
	37,051,109	377,706	-	29,532	37,458,347
Less: Administrative expenses					
Audit fee	43,056	11,896	10,317	41,307	106,576
Bank charges	213	98,260	4,676	59,527	162,676
Brokerage/Commission paid	-	-	-	753	753
Depreciation	-	-	47,401	56,700	104,101
Impairment loss on investment in subsidiaries	1,016,368	-	-	-	1,016,368
Impairment loss on amount due from subsidiaries	-	1,720,056	-	-	1,720,056
Insurance	-	60	(91,160)	63,554	(27,546)
Legal and professional fees	25,897	5,042,937	9,838	360,679	5,439,351
Land rent	-	-	-	188,685	188,685
Office rental - operating lease	-	36,753	-	-	36,753
Postage and courier	-	-	-	2,597	2,597
Printing and stationery	-	-	6	36,869	36,875
Repairs and maintenance	-	-	5,363	61,440	66,803
Realised foreign exchange loss - net	(172,271)	242,158	5,857,555	(5,822,117)	105,325

NOT PART OF AUDITED FINANCIAL STATEMENTS

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DETAILED INCOME STATEMENT
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	Singapore <u>Operations</u> S\$	Dubai <u>Branch</u> S\$	Guinea <u>Branch</u> S\$	Ivory Coast <u>Branch</u> S\$	<u>Total</u> S\$
Less: Administrative expenses (cont'd)					
Site maintenance	-	-	-	88,952	88,952
Salaries and allowances	-	-	88,972	4,601,146	4,690,118
Staff benefits	-	-	2,903	669,436	672,339
Staff accommodation - operating lease	-	-	(7,689)	126,908	119,219
Sundry expenses	1,104	13,464	12,761	253,444	280,773
Telecommunication	-	-	-	63,508	63,508
Travel and transportation	-	-	18,745	510,016	528,761
Utilities	-	-	-	115,486	115,486
Plant and equipment written off	-	-	18,403	-	18,403
	914,367	7,165,584	5,978,091	1,478,890	15,536,932
Profit/(Loss) before income tax	36,136,742	17,846,772	(6,236,989)	6,592,161	54,338,686

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DETAILED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	<u>Singapore</u> <u>Operations</u> S\$	<u>Dubai</u> <u>Branch</u> S\$	<u>Guinea</u> <u>Branch</u> S\$	<u>Ivory Coast</u> <u>Branch</u> S\$	<u>Total</u> S\$
Revenue					
Sale of goods	-	503,582	182,636	-	686,218
Service income	-	174,450	-	-	174,450
Contract revenue	-	26,443,413	16,308,775	42,326,696	85,078,884
	-	27,121,445	16,491,411	42,326,696	85,939,552
Less: Cost of sales					
Cost of inventories	-	9,205,540	6,388,281	4,940,314	20,534,135
Technical consultancy	-	-	30,998	11,214,047	11,245,045
Clearing, forwarding, freight, transportation and LC charges	-	266,401	508,795	2,408,960	3,184,156
Other costs	-	-	5,299,407	18,894,841	24,194,248
	-	9,471,941	12,227,481	37,458,162	59,157,584
Gross profit	-	17,649,504	4,263,930	4,868,534	26,781,968
Add: Other operating income					
Interest income	-	582,106	-	-	582,106
Realised foreign exchange gain - net	85,762	(67,495)	(273,819)	338,558	83,006
Commission/Discount from suppliers	-	9,840	-	-	9,840
Gain on disposal of plant and equipment	-	-	94,111	-	94,111
	85,762	524,451	(179,708)	338,558	769,063
Less: Administrative expenses					
Audit fee	27,968	11,950	5,785	4,649	50,352
Bank charges	361	104,557	77,756	14,321	196,995
Brokerage/Commission paid	-	-	498,300	2,998	501,298
Depreciation	-	-	128,277	11,415	139,692
Insurance	-	1,923	209,150	678,715	889,788
Legal and professional fees	22,590	8,107,831	12,675	268,669	8,411,765
Land rent	-	-	46,872	-	46,872
Office rental - operating lease	-	53,009	5,089	10,344	68,442
Office materials	-	-	5,259	5,380	10,639
Other services	-	119,013	-	-	119,013
Postage and courier	-	-	987	1,337	2,324
Printing and stationery	-	-	9,444	42,459	51,903
Repairs and maintenance	-	-	42,994	34,418	77,412

NOT PART OF AUDITED FINANCIAL STATEMENTS

AFCONS OVERSEAS SINGAPORE PTE. LTD.
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DETAILED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	<u>Singapore</u> <u>Operations</u> S\$	<u>Dubai</u> <u>Branch</u> S\$	<u>Guinea</u> <u>Branch</u> S\$	<u>Ivory Coast</u> <u>Branch</u> S\$	<u>Total</u> S\$
Less: Administrative expenses (cont'd)					
Site maintenance	-	-	509,206	189,063	698,269
Salaries and allowances	-	-	1,899,734	2,421,226	4,320,960
Staff benefits	-	-	589,016	335,667	924,683
Staff accommodation - operating lease	-	-	167,652	70,941	238,593
Sundry expenses	1,025	9,218	117,170	91,414	218,827
Telecommunication	-	-	38,905	33,409	72,314
Travel and transportation	-	-	827,458	573,317	1,400,775
Utilities	-	-	52,560	68,556	121,116
Advertisement	-	-	-	2,394	2,394
Entertainment	-	-	-	6,548	6,548
Recruitment expenses	-	-	-	1,284	1,284
Loss on disposal of plant and equipment	-	-	379,126	-	379,126
Plant and equipment written off	-	-	54,540	-	54,540
Loading and unloading expenses	-	-	-	9	9
	<u>51,944</u>	<u>8,407,501</u>	<u>5,677,955</u>	<u>4,868,533</u>	<u>19,005,933</u>
Profit/(Loss) before income tax	<u>33,818</u>	<u>9,766,454</u>	<u>(1,593,733)</u>	<u>338,559</u>	<u>8,545,098</u>

NOT PART OF AUDITED FINANCIAL STATEMENTS