

ADANI SHIPPING PTE. LTD.

DIRECTORS' STATEMENT

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

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2020 and of the financial performance, changes in equity and cash flows of the Company for the year then ended;
- (b) at the date of this statement, with the continued financial support from its immediate holding Company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due; and
- (c) no consolidated financial statements have been prepared as the Company itself is wholly-owned by another corporation, and the ultimate holding Company prepares consolidated financial statements.

2. DIRECTORS

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

Pranav Sevanti Vora
Anand Sanjay
Janakaraj Jeyakumar
Kukean Deepak Vaman

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors who held office at the end of the financial period had no interest in the shares of the Company and its related corporations as recorded in the register of directors' shareholdings required to be kept by the Company under section 164 of the Singapore Companies Act, Chapter 50.

ADANI SHIPPING PTE. LTD.

DIRECTORS' STATEMENT – cont'd

5. SHARE OPTIONS

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

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

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

6. INDEPENDENT AUDITOR

The independent auditor, Prudential Public Accounting Corporation, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board

.....
Janakaraj Jeyakumar
Director

.....
Pranav Sevanti Vora
Director

Date:

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ADANI SHIPPING PTE. LTD.**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ADANI SHIPPING PTE. LTD.** (the "company"), which comprise the statement of financial position as at 31 March 2020, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (FRSs) so as to give a true and fair view of the financial position of the company as at 31 March 2020 and of the financial performance, changes in equity and cash flows of the company for the year ended on that date.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements. At the end of the reporting period, the Company's total current liabilities exceeded its total current assets by **US\$22,636,042** and its total liabilities exceed its total assets by **US\$22,543,456**. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The ability of the Company to continue depends on immediate holding Company undertaking to provide continuing financial support to enable the Company to continue as a going concern. The directors are satisfied that the financial support will be available when required. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 1 and 2.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ADANI SHIPPING PTE. LTD. - cont'd**

Other Information – cont'd

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ADANI SHIPPING PTE. LTD. - cont'd**

Auditor's Responsibilities for the Audit of the Financial Statements – cont'd

- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirement

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

**PRUDENTIAL PUBLIC ACCOUNTING CORPORATION
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS
SINGAPORE**

Date:

ADANI SHIPPING PTE. LTD.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	<u>2020</u> US\$	<u>2019</u> US\$
ASSETS			
Non-current assets:			
Plant and equipment	(8)	1,882	-
Investment in subsidiaries	(9)	<u>90,704</u>	<u>90,704</u>
Total non-current assets		<u>92,586</u>	<u>90,704</u>
Current assets:			
Inventories	(10)	4,692,651	4,514,147
Trade and other receivables	(11)	103,514,138	86,582,161
Bank balances	(12)	<u>24,709,745</u>	<u>138,817</u>
Total current assets		<u>132,916,534</u>	<u>91,235,125</u>
Total assets		<u>133,009,120</u>	<u>91,325,829</u>
EQUITY AND LIABILITIES			
Equity:			
Share capital	(13)	645	645
Accumulated losses		<u>(22,544,101)</u>	<u>(24,334,920)</u>
Capital deficiency		<u>(22,544,101)</u>	<u>(24,334,275)</u>
Current liabilities:			
Trade and other payables	(14)	<u>155,552,576</u>	<u>115,660,104</u>
Total current liabilities		<u>155,552,576</u>	<u>115,660,104</u>
Total liabilities		<u>155,552,576</u>	<u>115,660,104</u>
Total equity and liabilities		<u>133,009,120</u>	<u>91,325,829</u>

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

ADANI SHIPPING PTE. LTD.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> US\$	<u>2019</u> US\$
Revenue	(15)	317,474,013	290,815,474
Direct expenses		<u>(315,016,692)</u>	<u>(292,676,645)</u>
Gross profit/(loss)		2,457,321	(1,861,171)
Administrative expenses		(587,778)	(515,272)
Other expense		(664)	-
Finance costs	(16)	<u>(78,060)</u>	<u>(55,758)</u>
Profit/(Loss) before income tax	(18)	1,790,819	(2,432,201)
Income tax expense	(17)	<u>-</u>	<u>-</u>
Profit/(Loss) for the year		1,790,819	(2,432,201)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the year		<u>1,790,819</u>	<u>(2,432,201)</u>

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

ADANI SHIPPING PTE. LTD.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share Capital US\$	Accumulated Losses US\$	Total US\$
Balance as at 1 April 2018	645	(21,902,719)	(21,902,074)
Total comprehensive loss for the year	-	(2,432,201)	(2,432,201)
Balance as at 31 March 2019	645	(24,334,920)	(24,334,275)
Total comprehensive income for the year	-	1,790,819	1,790,819
Balance as at 31 March 2020	645	(22,544,101)	(22,543,456)

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

ADANI SHIPPING PTE. LTD.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> US\$	<u>2019</u> US\$
Cash flows from operating activities			
Profit/(Loss) before income tax		1,790,819	(2,432,201)
Adjustment for: Depreciation of plant and equipment		664	-
Operating profit/(loss) before working capital changes		1,791,483	(2,432,201)
Inventories		(178,504)	650,884
Trade and other receivables		(16,931,977)	19,955,219
Trade and other payables		39,892,472	(18,475,926)
Net cash from/(used in) operating activities		24,573,474	(302,024)
Investing activity:			
Purchase of plant and equipment		(2,546)	-
Net cash used in investing activity		(2,546)	-
Net increase/(decrease) in bank balances		24,570,928	(302,024)
Bank balances at beginning of year		138,817	440,841
Bank balances at end of year	(12)	24,709,745	138,817

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

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2020

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

1. GENERAL

Adani Shipping Pte. Ltd. (the "Company") (Registration number: 200614235E) is a private limited Company incorporated and domiciled in the Republic of Singapore with its registered office at:

80, Raffles Place #33-20
UOB Plaza
Singapore 048624

The principal activities of the Company include chartering and owning of ships, barges and boats with crew (freight) and freight water transportation besides investments in shipping companies.

Principal activities of the subsidiaries are described in Note 8 to the financial statements.

At the end of the reporting period, the Company's total current liabilities exceeded its total current assets by **US\$22,636,042** and its total liabilities exceed its total assets by **US\$22,543,456**. This factor indicates the existence of an uncertainty which may affect the validity of the going concern assumption on which the accompanying financial statements are prepared.

The immediate holding Company has agreed to provide continuing financial support to the Company to enable the Company to meet its obligations as and when the need arises.

If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently in the statement of financial position.

The financial statements of the Company for the year ended 31 March 2020 were authorised for issue by the Board of Directors on _____.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS") including related interpretations of FRS ("INT FRS") promulgated by the Accounting Standards Council ("ASC").

Historical cost is generally based on the fair value of the consideration given in the exchange for goods and services.

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 accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.2. Changes in Accounting Policies

(a) Adoption of new revised FRSs and INT FRSs

In the current financial year, the Company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and are effective for financial periods beginning on or after 1 January 2019. The adoption of these new/ revised FRSs and INT FRSs does not result in substantial changes to the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years, except as discussed below:

(i) *FRS 116 Leases*

FRS 116 replaces FRS 17 Leases, INT FRS 104 Determining whether an Arrangement Contains a Lease, INT FRS – 15 Operating Leases – Incentives and INT FRS – 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

FRS 116 requires a lessee to recognise leases on the statement of financial position but provides exemptions for leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments ("lease liability") and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The lessee will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under FRS 116 is substantially unchanged from FRS 17. Lessor will continue to classify leases as either operating or finance leases using similar principles as in FRS 17. As the Company is primarily a lessor engaging in leasing of dry bulk carrier, the adoption of this standard did not have a material impact on the financial statements of the Company.

(ii) *INT FRS 123 Uncertainty over Income Tax Treatments*

The Interpretation clarifies how to apply the recognition and measurement requirements of FRS 123 when there is uncertainty over income tax treatments. In accordance with the interpretation, in determining taxable income (loss) for tax purposes, tax bases, unused tax losses, unused tax credits and tax rates in the event of uncertainty, the entity should assess whether it is probable that the tax authority will accept the tax treatment it has taken. If it is probable that the tax authority will accept the tax position adopted by the entity, the entity shall recognise tax implications on the financial statements in accordance with the same tax position. On the other hand, if it is not probable that the tax position taken, the entity needs to reflect the uncertainty in the books by using one of the following methods: the most likely outcome or the expected value. The interpretation clarifies that when determining whether it is probable or not probable that the tax authority will accept the tax position adopted by the entity, it should be assumed that the tax authority will review the amounts to which it has a right and that it will have full knowledge of all relevant information in this examination. In addition, in accordance with the interpretation, changes in circumstances or new information which may change this judgement should be taken into account.

The implementation of the Interpretation did not have a material effect on the Financial Statements.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.2. Changes in Accounting Policies – cont'd

(b) Standards issued but not yet effective

As at the date of the authorisation of these financial statements, the Company has not adopted the following FRSs and INT FRSs that have been issued but not yet effective:

<u>Reference</u>	<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
FRS 1 and FRS 8	Definition of Material (Amendments)	1 January 2020
FRS 1 and FRS 8	Accounting Policies, Changes in Accounting Estimates	1 January 2020
FRS 103	Definition of Business (Amendments)	1 January 2020
Various	Amendments to Reference to the Conceptual Framework in FRS Standards	1 January 2020

The Company expects that the adoption of the above standards, interpretations and improvements, if applicable, will have no material impact on the financial statements in the period of initial application, except as described below:

(i) FRS 1, Presentation of Financial Statements and FRS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material (Amendments)

The amendments refine the definition of material in FRS 1 and align the definitions used in Conceptual Framework for Financial Reporting and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted. The Company does not expect any significant impact of adopting these amendments.

(ii) FRS 103: Definition of Business (Amendments)

The amendments to FRS 103 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Company.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.3. Functional and Foreign Currency

(a) Functional and presentation currency

The Company's functional currency is the United States dollar ("US\$"), which reflects the economic substance of the underlying events and circumstances of the Company. Although the Company is domiciled in Singapore, most of the Company's transactions are denominated in US\$ and the selling prices for the Company's products are sensitive to movements in the foreign exchange rate with the US\$.

(b) Foreign currency transactions

Transactions in foreign currencies have been translated into US\$ at the foreign exchange rates ruling at the date of transactions. Monetary assets and liabilities in foreign currencies at the end of the reporting period have been converted to US\$ at the rates of exchange approximating those ruling at the end of the reporting period. Non-monetary assets and liabilities measured at cost in foreign currencies are translated to US\$ using the foreign exchange rate at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are recognised as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in reserve in equity. All realised and unrealised foreign exchange gains and losses are recognised in profit or loss.

2.4. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight line method to write off the cost or valuation of the assets over their estimated useful lives as follows:-

	<u>Years</u>
Computers	3

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

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised as the difference between the net sales proceeds and the carrying amount of the relevant asset.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.5. Investment in Subsidiaries

Subsidiary is an entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Investment in subsidiaries is stated at cost less any impairment loss.

Consolidated financial statements have not been presented as the Company itself is a wholly owned subsidiary of another entity; and the ultimate holding Company Adani Enterprises Ltd, whose registered office is at Adani House, Nr Mithakhali Circle, Navrangpura, Ahmedabad 380 009, Gujarat, India produces the consolidated financial statements available for public use.

2.6. Impairment of Non-financial Assets

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. 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.

Recoverable amount is the higher of fair value less costs to sell 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.

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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

2.7. Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognizes revenue when it transfers control of a product or service to a customer.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.7. Revenue Recognition – cont'd

The Company recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below:

(a) Rendering of services

Revenue and operating costs on freight operations are recognised as income and expenses respectively, by reference to the percentage of completion of the voyage as at the end of reporting period. Unearned revenue is recognised as deferred income.

Revenue from rendering of sea freight forwarding services is recognised based on the completion of voyage.

Time charter revenue is recognised evenly over the lives of the time charter agreements and is stated net of withholding taxes and commission paid. Voyage freight is recognised evenly over the duration of each voyage.

Commission income from the rendering of services, which are of a short-term duration is recognised when the services are rendered.

(b) Interest income

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the company.

2.8. Cash and Bank Balances

Cash and bank balances comprise cash balances and short term bank deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value. These are classified and accounted as measured at amortised cost under FRS 109.

2.9. Employee Benefits

(a) Defined contribution plan

Payments to defined contribution plan (including state - managed retirement benefit schemes such as Singapore Central Provident Funds) are charged as an expense as they fall due.

(b) Employee leaves entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. No provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the end of the reporting period as it is a policy of the company to forfeit annual leave that has been unutilised at the end of the reporting period.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.10. Income Taxes

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

(a) 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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates (and tax law) that have been enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

(b) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at that time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences carry forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a transaction and at the time of transaction affects neither the accounting profit or loss nor taxable profit or loss.

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

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

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

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.11. Related Parties

A related party is a person or an entity related to the Company and is further defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to a company if any of the following conditions apply:
 - (i) the entity and the Company are members of the same Group which means that each parent, subsidiary and fellow subsidiary is related to the others;
 - (ii) one entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a Group of which the other entity is a member;
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity; or
 - (viii) the entity, or any member of the Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

Related party transactions and outstanding balance disclosed in the financial statement are in accordance with the above definition as per FRS 24 - Related Party Disclosures.

2.12. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.12. Provisions – cont'd

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.13. Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When changes in the probability of an outflow occur so that the outflow is probable, it will then be recognised as a provision.

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

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.14. Events after the Reporting Period

Events after the reporting period that provide additional information about the Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

3. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

3.1 Financial Assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the assets within the timeframe established by the market concerned.

(a) Classification and subsequent measurement

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.1 Financial Assets – cont'd

(a) Classification and subsequent measurement – cont'd

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. The company initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

Financial assets at amortised cost

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in other income.

As at the reporting date, the company's debt instruments at amortised cost consist of trade and other receivables.

The accounting for financial assets from 1 January 2018 under FRS 109 are as follow:

The company recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

The company recognised lifetime ECL for trade 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.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.1 Financial Assets – cont'd

(b) Impairment of financial assets

The accounting for financial assets from 1 January 2018 under FRS 109 are as follow: (cont'd)

For all other financial instruments, the company recognised lifetime ECL when there has been significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the company measured the loss allowance for that financial instrument at an amount equal to 12month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition instead of an evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit loss is the expected credit loss that result from default events that are possible within 12 months after the reporting date.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets gross carrying amount at the reporting date; or for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at reporting date, together with any additional amounts expected to be draw down in the future by default date determined based on historical trend, the company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate.

(c) Derecognition

The company derecognised 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 not retains substantially all the risk 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 risk and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognise 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.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.2. Equity Instrument and Financial Liabilities

Equity instruments issued by the company and financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of an equity instrument and a financial liability.

(a) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Share capital – ordinary shares

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

(b) Financial liabilities

(i) Trade and other payables

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

(c) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respectively carrying amounts is recognised in profit or loss.

4. CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTY

4.1. Critical Accounting Judgements

In the application of the Company's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, 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 estimates are 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.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4. CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTY – cont'd

4.1. Critical Accounting Judgements – cont'd

(a) Income taxes

Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations including capital allowances and deductibility of certain expenses for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Determination of functional currency

The Company measures foreign currency transactions in the functional currency of the Company. In determining the functional currencies of the company, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currency of the Company is determined based on management's assessment of the economic environment in which the Company operates and the Company's process of determining sales prices.

4.2 Key Sources of Estimation Uncertainty

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

(a) Impairment of investment in subsidiaries

The Company follows the guidance of FRS 36 in determining the recoverability of its investments in subsidiaries. This requires assessment as to whether the carrying values of its investment can be supported by the net present values of future cash flows derived from such investment using cash flow projections which have been discounted at an appropriate rate. This determination requires significant judgement. The company determines forecasts of future cash flows based on its estimates of future revenues and operating expenses using historical and industry trends, general market conditions, forecasts and other available information.

The carrying amount of investment in subsidiaries at 31 March 2020 is disclosed in Note 9 to the financial statements.

(b) Provision for expected credit losses of trade and other receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. 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.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4. CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTY – cont'd

4.2 Key Sources of Estimation Uncertainty – cont'd

(b) Provision for expected credit losses of trade and other receivables – cont'd

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 group'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 and other receivables is disclosed in the Note 5(a).

The carrying amount of the Company's trade receivables as at 31 March 2020 is disclosed on the Note 11.

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT

5.1. Categories of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities included in the statement of financial position, the categories and the headings in which they are included are as follows:

	<u>2020</u> US\$	<u>2019</u> US\$
<u>Financial assets</u>		
At amortised cost:		
- Trade and other receivables	101,510,372	82,519,350
- Bank balances	24,709,745	138,817
	<u>126,220,1175</u>	<u>82,658,167</u>
<u>Financial liabilities</u>		
At amortised cost:		
- Trade and other payables	151,681,416	101,246,124

5.2. Financial Risk Management Policies and Objectives

The Company's overall risk management policy seeks to minimise potential adverse effects on the financial performance of the Company. The Company, however, does not have any written risk management policies and guidelines. The management meet periodically to analyse, formulate and monitor the following risk management of the Company and believe that the financial risks associated with these financial instruments are minimal. There has been no change to the Company's exposure to these financial risks described below or the manner in which it manages and measures the risks.

The Company adopt systematic approach towards risk assessment and management. This is carried out in three phases, i.e. identification and assessment of risks, formulation and implementation of risk treatment, and monitoring and reporting of risk profile. The Company is not exposed to interest rate risk and foreign exchange risk.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages measures the risk.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT – cont'd

5.2. Financial Risk Management Policies and Objectives – cont'd

(a) Credit risk

Credit risk refers to risk that counterparty will default on its contractual obligations to repay amounts owing to the company resulting in a loss to the company.

To minimise credit risk, management has established a credit policy under which each new customer is analysed individually for creditworthiness before the company's standard payment and delivery terms and conditions are offered. The company's review includes credit rating information, supplied by publicly available financial information and the company's own trading records to rate its major customers. These are reviewed on an ongoing basis.

Risk management practices

General approach

The company applies the general approach to provide for ECLs on all financial assets under amortised cost other than trade receivables from third parties. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

The company considers the probability of default upon initial recognition of asset and at each reporting date, assesses whether there has been a significant increase in credit risk since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

Default event

The company considers a financial asset in default when:

- The borrower fails to make contractual payments, within 90 days when they fall due, unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate; or
- When internal or external information indicates that 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).

Significant increase in credit risk

When determining 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 and analysis, based on the company's historical experience and informed credit assessment and includes forward-looking information such as the following:

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

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND CAPITAL RISK MANAGEMENT – cont'd

5.2 Financial Risk Management Policies and Objectives – cont'd

(a) Credit risk – cont'd

Significant increase in credit risk – cont'd

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

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

Low credit risk

The company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

A financial asset is considered to have low credit risk if:

- The financial instrument has a low risk of default;
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Credit-impaired

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

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as default or past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial assets because of financial liabilities.

Write-off policy

The company categorises a receivable for potential write-off when:

- There is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery or
- When a debtor fails to make contractual payments more than 365 days past due.

Where receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND CAPITAL RISKS MANAGEMENT – cont'd

5.2 Financial Risk Management Policies and Objectives – cont'd

(a) Credit risk – cont'd

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

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past due amounts and a strong capacity to meet contractual cash flows	12-month ECL
II	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
III	Amount is > 90 days past due to or there is evidence indicating the asset is credit-impaired (in default)	Lifetime ECL – credit impaired
IV	Amount is > 365 days past due or there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

There are no significant changes to estimation techniques or assumptions made during the reporting period.

Simplified approach

The company applies the simplified approach using the provision matrix to provide for ECLs for third party trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

The provision matrix is based on historical credit loss experience over the past three years and adjusted for forward-looking estimates. Trade receivables are grouped based on similar credit risk characteristics and days past due.

Expected credit loss assessment

The following are qualitative information on expected credit loss for financial assets under amortised cost.

- *Third party trade receivables*

These are due from customers that have a good credit record with the company with no history of default. The loss allowance is measured based on lifetime ECL using the provision matrix. Management considers the risk of default as minimal based on the past collection history of on-time payments. Therefore, management considers the amount of ECL is insignificant.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND CAPITAL RISKMANAGEMENT – cont'd

5.2 Financial Risks Management Policies and Objectives – cont'd

(a) Credit risk – cont'd

- *Holding company trade receivables and subsidiary non trade receivable.*

Management considers holding company and subsidiary receivables to be low credit risk. Credit risk for these receivables has not increased significantly since their initial recognition. Therefore, these receivables have been measured based on 12-month expected credit loss model and subject to immaterial credit loss.

- *Bank balances*

The company places its bank deposits with credit worthy financial institutions. Impairment on bank balances are measured on the 12-month expected loss basis. Management considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. Therefore, management considers the amount of ECL is insignificant.

- *Significant concentration of credit risk*

As at the reporting date, the company's significant concentration of credit risk is with two (2019: one) customer amounting to US\$3,528,426 (2019: US\$945,566 which accounted for 99% (2019: 42%) of its trade receivables

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

(b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Company is exposed to liquidity risk. However, the immediate holding Company has agreed to provide unconditional financial support to enable it to discharge its obligations as and when they fall due.

The following table summarises the Company's remaining contractual maturity for its non-derivative financial liabilities at the end of the reporting period based on undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Company is expected to pay.

			<u>Contractual undiscounted cash flows</u>		
<u>2020</u>	<u>Effective interest rate p.a.</u> %	<u>Carrying amount</u> US\$	<u>One year Or less</u> US\$	<u>Two to five years</u> US\$	<u>Total</u> US\$
<u>Non-derivative Financial liabilities:</u>					
Trade and other payables	-	<u>151,681,416</u>	<u>151,681,416</u>	<u>-</u>	<u>151,681,416</u>
Total undiscounted financial liabilities		<u>151,681,416</u>	<u>151,681,416</u>	<u>-</u>	<u>151,681,416</u>

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT – cont'd

5.2. Financial Risk Management Policies and Objectives – cont'd

(b) Liquidity risk – cont'd

			<u>Contractual undiscounted cash flows</u>		
<u>2019</u>	<u>Effective interest rate p.a.</u> %	<u>Carrying amount</u> US\$	<u>One year Or less</u> US\$	<u>Two to five years</u> US\$	<u>Total</u> US\$
<u>Non-derivative</u>					
<u>Financial liabilities:</u>					
Trade and other payables	-	101,246,124	101,246,124	-	101,246,124
Total undiscounted financial liabilities		101,246,124	101,246,124	-	101,246,124

(c) Foreign currency exchange rate risk

Foreign currency exchange rate risk arose from the change in foreign currency exchange rates that may have an adverse effect on the Company in the current reporting period and in the future years.

The Company transacts mainly in United States dollar and Singapore dollar. Foreign exchange rate risk exposures are naturally hedged as both trade purchases and sales are denominated in the above currencies. This natural hedge reduces significantly the financial impact of movements in the foreign exchange rates. Management believes that the foreign currency risk is manageable. The Company does not use derivative financial instruments to protect against the volatility associated with currency transactions in the ordinary course of business.

No sensitivity analysis for foreign currency exchange rate risk is prepared as the Company's exposures to foreign currency risk is immaterial to the financial statements.

(d) Fair value of financial assets and financial liabilities

The carrying amounts of trade and other receivables, bank balances and trade and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

5.3. Capital Management

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

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to equity holders, issue new shares, return capital to the equity holders, and obtain new borrowings or redemption of borrowings.

The Company monitors capital using gearing ratio, which is net debt divided by total capital. Net debt is calculated trade and other payables less bank balances. Total capital is calculated as equity and net debt. The Company's overall strategy remains unchanged during the year.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT – cont'd

5.3. Capital Management – cont'd

	<u>2020</u> US\$	<u>2019</u> US\$
Trade and other payables	155,552,276	115,660,104
Less: Bank balances	<u>(24,709,745)</u>	<u>(138,817)</u>
Net debt	130,842,531	115,521,287
Total equity	<u>(22,543,456)</u>	<u>(24,334,275)</u>
Total capital	<u>108,299,075</u>	<u>91,187,012</u>
Gearing ratio	<u>N.M</u>	<u>N.M</u>

N.M. – Not meaningful.

The Company is in compliance with all externally imposed capital requirements.

6. HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Adani Global Pte Ltd, a Company incorporated in Singapore. The ultimate holding company is Adani Enterprises Ltd, a corporation incorporated in India.

7. RELATED PARTY TRANSACTIONS

Many of the Company's transactions and arrangements are between members of the ultimate holding company and the effects of these on the basis determined between the parties are reflected in these financial statements.

The following transactions and arrangements took place between the company and related parties took place at terms agreed between the parties during the financial year:

	<u>2020</u> US\$	<u>2019</u> US\$
Transactions with holding company		
Revenue	171,089,491	193,674,765
Purchase of bunker	19,291,179	-
Transactions with subsidiaries and related company		
Time charter expenses	37,698,000	37,595,000
Commission income	1,413,675	1,409,814
Purchase of bunker	318,586	7,183,477
Others	<u>18,000</u>	<u>18,000</u>

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

8. PLANT AND EQUIPMENT

	Computers	Total
	US\$	US\$
Cost		
At 1.4.2019	-	-
Addition	2,546	2,546
At 31.3.2020	2,546	2,546
Accumulated depreciation		
At 1.4.2019	-	-
Charge for the year	664	664
At 31.3.2020	664	664
Net book value		
At 31.3.2020	1,882	1,882
At 31.3.2019	-	-

At the end of the reporting period, the company carried out a review of the recoverable amount of all plant and equipment. There were no allowances for impairment or revisions to the useful lives required for plant and equipment.

9. INVESTMENT IN SUBSIDIARIES

	<u>2020</u> US\$	<u>2021</u> US\$
<u>Unquoted equity investments at cost</u>		
Rahi Shipping Pte. Ltd.	39,352	39,352
Vanshi Shipping Pte. Ltd	39,352	39,352
Aanya Maritime Inc.	1,000	1,000
Aashna Maritime Inc.	1,000	1,000
Urja Maritime Inc.	10,000	10,000
	90,704	90,704

Details of the subsidiaries are as follows:

<u>Name of the subsidiaries</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Equity holding</u>	
			<u>2020</u>	<u>2019</u>
			%	%
Rahi Shipping Pte. Ltd.	Shipping agencies and ship owner.	Republic of Singapore	100	100
Vanshi Shipping Pte. Ltd	Shipping agencies and ship owner.	Republic of Singapore	100	100
Aanya Maritime Inc.	Shipping agencies and ship owner.	Republic of Panama	100	100
Aashna Maritime Inc	Shipping agencies and ship owner.	Republic of Panama	100	100
Urja Maritime Inc	Shipping agencies and ship owner.	Republic of Panama	100	100

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9. INVESTMENT IN SUBSIDIARIES – cont'd

Consolidated financial statements of the Company and its subsidiaries are not prepared as the Company itself is a wholly owned subsidiary of another corporation. The ultimate holding company, Adani Enterprises Ltd prepares consolidated financial statements which are available for public use at the registered address at Adani House, Nr Mithakhali Circle, Navrangpura, Ahmedabad 380 009, Gujarat, India.

As at the end of the reporting period, the Company carried out a review on the recoverable amount of its investment in subsidiaries. The review revealed no impairment in value was required. The recoverable amount of the relevant investment in each subsidiary has been determined on the basis of its net assets value at the end of the reporting period as in the opinion of the management of the Company, the net assets value of these subsidiaries reasonably approximate the fair values less costs to sell.

10. INVENTORIES

	<u>2020</u> US\$	<u>2019</u> US\$
Bunkers	<u>4,692,651</u>	<u>4,514,147</u>

The cost of inventories recognised as an expense and included in “cost of services” amounted to US\$ 39,711,700 (2019: US\$ 30,444,359).

11. TRADE AND OTHER RECEIVABLES

	<u>2020</u> US\$	<u>2019</u> US\$
Trade receivables:		
- third parties	3,528,856	2,255,896
- immediate holding company	-	55,127
	<u>3,528,856</u>	<u>2,311,023</u>
Due from subsidiaries	78,218,322	70,514,782
Loan to employee	12,090	-
Advance to suppliers	2,003,766	4,062,811
Accrued freight revenue	19,744,488	9,686,929
Others	6,616	6,616
	<u>103,514,138</u>	<u>86,582,161</u>

Trade receivables are unsecured, non-interest bearing and they are normally settled on 30 to 90 (2019: 30 to 90) days' credit terms.

Advances to suppliers relate to money paid to suppliers for services rendered which are expected to be fulfilled within the next twelve months.

Accrued freight income pertains to 5% retention amount which customer is holding onto until finalization of shipped quantity of cargo.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

11. TRADE AND OTHER RECEIVABLES

The following table details the risk profile of trade receivables from contracts with customers based on the company's provision matrix. As the company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the company's different customer base.

<u>31 March 2020</u>	<u>Trade receivables - Days Past Due</u>					<u>Total</u>
	<u>Not Past Due</u>	<u>< 30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>> 90 days</u>	
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<u>Company</u>						
Gross carrying amount	2,416,695	-	1,083,955	-	28,206	3,528,856
Allowance for impairment (Under FRS 109)	-	-	-	-	-	-
						<u>3,528,856</u>
<u>31 March 2019</u>	<u>Trade receivables - Days Past Due</u>					<u>Total</u>
	<u>Not Past Due</u>	<u>< 30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>> 90 days</u>	
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<u>Company</u>						
Gross carrying amount	55,127	1,885,967	-	-	369,929	2,311,023
Allowance for impairment (Under FRS 39)	-	-	-	-	-	-
						<u>2,311,023</u>

The management has determined that there has not been a significant change in the credit quality of the customers and considered the risk of default as minimal and the loss allowance is insignificant.

Trade and other receivables are denominated in United States dollar.

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

12. BANK BALANCES

	<u>2020</u> US\$	<u>2019</u> US\$
Cash at banks	<u>24,709,745</u>	<u>138,817</u>

Bank balances are denominated in the following currencies:

	<u>2020</u> US\$	<u>2019</u> US\$
Singapore dollar	32,833	28,971
United States dollar	<u>24,676,912</u>	<u>109,846</u>
	<u>24,709,745</u>	<u>138,817</u>

13. SHARE CAPITAL

	<u>2020</u> <u>Number of ordinary shares</u>	<u>2019</u> <u>Number of ordinary shares</u>	<u>2020</u> US\$	<u>2019</u> US\$
<u>Issued and fully paid up</u>				
Ordinary shares	<u>1,000</u>	<u>1,000</u>	<u>645</u>	<u>645</u>

The ordinary shares, which have no par value carry one vote per share and a right to dividends as and when declared by the company.

14. TRADE AND OTHER PAYABLES

	<u>2020</u> US\$	<u>2019</u> US\$
Trade payables:		
- third parties	123,248,990	90,426,087
- holding company	<u>19,291,180</u>	<u>-</u>
	142,540,170	90,426,087
Accruals	14,469	52,164
Advance from holding company	3,871,160	14,350,000
Advance from customers	-	63,980
Due to third parties	555,445	-
Due to related party	4,500	9,000
Other payable	37,606	3,581
Provision for freight costs	<u>8,529,226</u>	<u>10,755,292</u>
	<u>155,552,576</u>	<u>115,660,104</u>

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

14. TRADE AND OTHER PAYABLES – cont'd

Trade payables are non-interest bearing and are normally settled on 30 to 60 days (2019: 30 to 60 days).

Amounts due to related party is unsecured, interest free and repayable on demand.

Advances from customers relate to money received from customers for shipping services which are expected to be fulfilled within the next twelve months.

Trade and other payables are denominated in United States dollar.

15. REVENUE

Revenue represents invoiced value of services rendered and is recognised over time.

16. FINANCE COSTS

	<u>2020</u> US\$	<u>2019</u> US\$
Bank charges	<u>78,060</u>	<u>55,758</u>

17. INCOME TAX

	<u>2020</u> US\$	<u>2019</u> US\$
Current tax	<u>-</u>	<u>-</u>

Reconciliation between income tax benefit and accounting loss

The income tax benefit varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2019: 17%) to loss before income tax as a result of the following differences:

	<u>2020</u> US\$	<u>2019</u> US\$
Profit/(Loss) before income tax	<u>1,790,819</u>	<u>(2,432,201)</u>
Income tax expense calculated at 17%	<u>304,439</u>	<u>(413,474)</u>
Tax effects of:		
- non-deductible expense	112	-
- unutilised tax losses brought forward	(304,511)	-
- unutilised tax losses carried forward	<u>-</u>	<u>413,474</u>
	<u>-</u>	<u>-</u>

ADANI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

17. INCOME TAX – cont'd

Movement of unutilised tax loss

The Company have carry forward tax losses available for offsetting against future taxable income as follow:

	<u>2020</u> US\$	<u>2019</u> US\$
<u>Tax losses</u>		
Amount at beginning of year	24,377,419	21,945,218
Amount utilised	(1,791,483)	-
Amount in current year	-	2,432,201
	<u>22,585,936</u>	<u>24,377,419</u>
Amount at end of year		
	<u>22,585,936</u>	<u>24,377,419</u>
Deferred tax benefit on above unrecorded (17%)	<u>3,839,609</u>	<u>4,144,161</u>

The realisation of the future income tax benefits from tax losses carry forward are available for an unlimited period subject to the conditions imposed by law including the retention of majority shareholders as defined. The Company has not recognised deferred tax benefit due to the uncertainty of sufficient future taxable profits to offset against the tax losses carry forward.

18. PROFIT/(LOSS) FOR THE YEAR

Profit/(Loss) for the year has been arrived at after charging:

	<u>2020</u> US\$	<u>2019</u> US\$
Foreign currency exchange adjustment loss	115,260	45,115
Employee benefit expense	330,608	363,982
Cost of defined contribution plans included in employee benefits	22,917	24,620
Cost of hire	166,443,825	197,088,458
Consumption of bunker	39,711,700	30,444,359
Despatch at load/discharge port	28,853,019	12,091,564
Time charter expenses	<u>74,773,499</u>	<u>51,149,936</u>

19. EVENTS AFTER THE REPORTING PERIOD

No item, transaction or event of material and unusual nature has arisen between the end of the reporting period and the date of authorisation for issue of the financial statements which are likely to affect substantially the results of operations of the Company for the succeeding reporting period.

ADANI SHIPPING PTE. LTD.

DETAILED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2020

	<u>2020</u> US\$	<u>2019</u> US\$
Revenue	317,474,013	290,815,474
Less: Cost of services		
Address commission	4,532,273	1,531,067
Agency fee and other work expenses	97,277	9,534
BQS Survey expenses	34,000	1,800
Boat and Tug hire charge	-	2,500
Cargo survey account	57,441	68,399
Cost of ship hire	166,443,825	197,088,458
Consumption of bunker	39,711,700	30,444,359
Despatch at load/discharge port	28,853,019	12,091,564
Insurance	106,347	20,300
Crew / P & I insurance	138,039	73,548
Other reimbursement	1,059	(7,621)
Security expenses	163,426	185,630
Supervision and analysis	104,787	17,171
Time charter expenses	74,773,499	51,149,936
	<u>(315,016,692)</u>	<u>(292,676,645)</u>
	2,457,321	(1,861,171)
Less: Expenses		
- Schedule 'A'	<u>(666,502)</u>	<u>(571,030)</u>
Profit/(Loss) before income tax	<u>1,790,819</u>	<u>(2,432,201)</u>

This schedule does not form part of the audited statutory financial statements.

ADANI SHIPPING PTE. LTD.

Schedule 'A'

EXPENSES

FOR THE YEAR ENDED 31 MARCH 2020

	<u>2020</u> US\$	<u>2019</u> US\$
Administrative expenses		
Auditor remuneration	9,000	9,000
Foreign currency exchange adjustment loss	115,260	45,115
Legal charges	-	37,522
Office expenses	1,187	1,152
Professional fee	113,911	29,840
Repair and maintenance – computer and software	361	16,346
Skill development	539	729
Staff CPF	22,916	24,620
Staff Salaries	304,903	302,874
Staff Bonus	-	9,339
Leave encashment	1,904	160
Recruitment expenses		26,260
Staff welfare	345	-
Travelling	14,443	9,309
Telephone	3,009	3,006
Other expense		
Depreciation of plant and equipment	664	-
Finance cost		
Bank charges	78,060	55,758
	<u>666,502</u>	<u>571,030</u>

This schedule does not form part of the audited statutory financial statements.

ADANI SHIPPING PTE. LTD.

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

CONTENTS	PAGE
DIRECTORS' STATEMENT	1 - 2
INDEPENDENT AUDITOR'S REPORT TO THE MEMBER	3 - 5
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENTS OF CHANGES IN EQUITY	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10 - 35
DETAILED STATEMENT OF PROFIT OR LOSS	36 - 37

ADANI SHIPPING PTE. LTD.

(Registration number: 200614235E)

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

ADANI SHIPPING PTE. LTD.
(Registration number: 200614235E)

DIRECTORS' STATEMENT AND
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020
(Expressed in United States Dollar)

PRUDENTIAL PUBLIC ACCOUNTING CORPORATION
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS
SINGAPORE

ADANI SHIPPING PTE. LTD.

(Registration number: 200614235E)

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020