

RAHI SHIPPING PTE. LTD.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the member together with the audited financial statements of **RAHI 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 the financial performance, changes in equity and cash flows of the company for the year then ended; and
- (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.

2. DIRECTORS

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

Pranav Sevanti Vora (Appointed on 15 December 2019)
Janakaraj Jeyakumar
Anand Sanjay
Kukean Deepak Vaman

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of the financial year nor at anytime 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 year had no interests in the share capital of the company and related corporations as recorded in the register of director's shareholdings required to be kept by the company under Section 164 of the Singapore Companies Act, Chapter 50.

RAHI 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. AUDITOR

Prudential Public Accounting Corporation has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors

.....
Pranav Sevanti Vora
Director

.....
Kukean Deepak Vaman
Director

Date:

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of **RAHI SHIPPING PTE. LTD.** (the "company") which comprises the statement of financial position of the company as at 31 March 2020, and 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.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements. Despite making a net profit of **US\$4,952** during the year ended 31 March 2020 and, as of that date, the company's current liabilities exceeded its current assets by **US\$37,539,943**. As stated in Note 1, these events or conditions 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 the immediate holding company undertaking to provide continuing financial support to enable the company to continue as a going concern. The directors are satisfied 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.

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

...2/-

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RAHI SHIPPING PTE. LTD. – cont'd

Other Information – cont'd

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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 risks 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.
- (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.

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

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

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by arrangement.
- (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 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 as going concern, 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 Regulatory Requirements

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

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

Date:

RAHI SHIPPING PTE. LTD.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	<u>Note</u>	<u>2020</u> US\$	<u>2019</u> US\$
ASSETS			
Non-current assets:			
Motor vessel	(8)	<u>54,459,716</u>	<u>57,395,923</u>
Current assets:			
Bunkers and lubricants	(9)	<u>134,487</u>	<u>115,137</u>
Other current assets	(10)	<u>97,157</u>	<u>1,335,165</u>
Bank balances	(11)	<u>88,881</u>	<u>39,757</u>
Total current assets		<u>320,525</u>	<u>1,490,059</u>
Total assets		<u>54,780,241</u>	<u>58,885,982</u>
EQUITY AND LIABILITIES			
Equity:			
Share capital	(12)	<u>39,352</u>	<u>39,352</u>
Retained earnings		<u>10,548,785</u>	<u>10,543,833</u>
Total equity		<u>10,588,138</u>	<u>10,583,185</u>
Non-current liabilities:			
Borrowings	(13)	<u>6,331,636</u>	<u>11,191,990</u>
Current liabilities:			
Borrowings	(13)	<u>4,860,353</u>	<u>4,742,393</u>
Trade and other payables	(14)	<u>33,000,115</u>	<u>32,368,414</u>
Total current liabilities		<u>37,860,468</u>	<u>37,110,807</u>
Total liabilities		<u>44,192,104</u>	<u>48,302,797</u>
Total equity and liabilities		<u>54,780,241</u>	<u>58,885,982</u>

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

RAHI SHIPPING PTE. LTD.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>
Revenue	(15)	7,686,000	7,665,000
Cost of services		<u>(6,817,526)</u>	<u>(5,303,889)</u>
Gross profit		868,474	2,361,111
Other income	(16)	1,639	384
Administrative expenses		(80,040)	(84,549)
Finance costs	(17)	<u>(785,121)</u>	<u>(1,071,417)</u>
Profit before income tax		4,952	1,205,529
Income tax expense	(18)	<u>-</u>	<u>-</u>
Profit for the year	(19)	4,952	1,205,529
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>4,952</u>	<u>1,205,529</u>

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

RAHI SHIPPING PTE. LTD.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share Capital US\$	Retained Earnings US\$	Total US\$
Balance as at 1 April 2018	39,352	9,338,304	9,377,656
Total comprehensive income for the year	<u>-</u>	<u>1,205,529</u>	<u>1,205,529</u>
Balance as at 31 March 2019	39,352	10,543,833	10,583,185
Total comprehensive income for the year	<u>-</u>	<u>4,952</u>	<u>4,952</u>
Balance as at 31 March 2020	<u>39,352</u>	<u>10,548,785</u>	<u>10,588,137</u>

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

RAHI 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 before income tax		4,952	1,205,529
Adjustment for:			
Depreciation of motor vessel		2,936,207	2,936,207
Interest expense		770,418	1,056,255
Operating profit before working capital changes		3,711,577	5,197,991
Bunkers and lubricants		(19,350)	27,993
Other receivables		-	2,611
Other current assets		1,238,008	(1,229,816)
Trade and other payables		(750,333)	618,458
Cash from operating activities		4,179,902	4,617,237
Income tax paid		-	-
Net cash from operating activities		4,179,902	4,617,237
Cash flows from financing activities:			
Repayment of borrowings	(20)	(4,742,394)	(4,540,918)
Proceeds from holding company	(20)	1,382,034	942,454
Interest paid		(770,418)	(1,056,255)
Net cash used in financing activities		(4,130,778)	(4,654,719)
Net increase/(decrease) in bank balances		49,124	(37,482)
Bank balances at beginning of year		39,757	77,239
Bank balances at end of year		88,881	39,757

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

RAHI 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

a) Corporate Information

Rahi Shipping Pte. Ltd. (the "company") (Registration number: 200923328M) 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 are to carry on the business as shipping agencies (freight) and ship owner.

b) Going concern assumption

Despite making a net profit of **US\$4,952** for the financial year ended 31 March 2020 and, as of that date, the company's current liabilities exceeded its current assets by **US\$37,539,943**. 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. In addition to that the immediate holding company will allow the company to defer the repayment due to the immediate holding company until such time as the company's cash flow enables such payment.

The directors are of the view that it is appropriate to prepare these financial statements on a going concern basis on the assumption that the company will generate adequate cash flows from operations and will continue to receive continuing financial support from its immediate holding company.

If the company is unable to continue in operational existence for the foreseeable future, the company may be unable 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.

c) Authorisation of financial statements for issue

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

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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 and in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purpose, fair value measurements are described in Note 5.

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.

2.2 Changes in Accounting Policies

(a) Adoption of new and 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 effective for annual periods beginning on or after 1 April 2019. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the company's accounting policies and has no material effect on the amounts reported for the current or prior financial year, 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 balance sheet 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.

RAHI 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 and revised FRSs and INT FRSs

(i) FRS 116 Leases – cont'd

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.

(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

RAHI 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

The company expect 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 April 2020, with earlier application permitted. The company does not expect any significant impact of adopting these amendments.

ii) FRS 103: Definition of a 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 April 2020, with earlier application permitted.

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

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 converted into United States dollars at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies at the end of reporting period have been converted into United States dollar at the rates of exchange approximating to those ruling at that date. Non-monetary assets and liabilities measured at cost are measured using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities measured at fair value are measured at foreign exchange rates ruling at the dates the fair value was determined. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss.

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.4. Motor Vessel

(a) Measurement

Motor vessel is initially stated at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(b) Component of costs

The cost of an item of motor vessel 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 included as part of the cost of motor vessel if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(c) Depreciation

Depreciation is calculated on the straight-line method and to write off the cost of the motor vessel over its estimated useful lives of 25 years.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets. Useful lives, residual values and depreciation methods are reviewed annually. Accelerated depreciation is provided when the useful life of the asset become shorter than that initially expected.

(d) Subsequent expenditure

Subsequent expenditure relating to motor vessel 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 measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in profit or loss during the financial period in which it is incurred.

(e) Disposal

On disposal of motor vessel, the difference between the net disposals proceeds and its carrying amount is taken to profit or loss.

2.5. Bunker and Lubricants

Bunkers and lubricant comprise of marine diesel oil and lubricants held for vessel operations. Consumables are stated at cost less any damages. Cost is determined on a first-in, first-out basis and comprises all costs of purchases and other related charges incurred in bringing to the present location and condition.

2.6. Impairment of Non-financial Assets

At each end of the 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.

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.6. Impairment of Non-financial Assets – cont'd

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.7. 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.

(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 the 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

2.8. Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, of a qualifying asset. Capitalisation of borrowing cost commences, when the activities to prepare the asset for its intended use and expenditure and borrowing costs are being incurred. Borrowings costs are capitalised until the assets are ready for their intended use.

2.9. Income Taxes

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

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.9. Income Taxes – cont'd

(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 operate by the end of the reporting period.

(b) Deferred tax

Deferred income tax is provided, using the liability method on all temporary differences at the end of the reporting year 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 nor taxable profit.

Deferred income 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 nor taxable profit.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting year 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 income tax assets are reassessed at each end of the reporting year 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 income 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 year.

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.

2.10. 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.

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.10. Related Parties – cont'd

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

Related party transactions and outstanding balances disclosed in the financial statement are in accordance with the above definition as per FRS24 – Related Party Disclosures.

2.11. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date; whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

When the company is the lessor:

The company leases out dry bulk carrier under operating leases to non-related parties.

Lessor – Operating leases

Leases of dry bulk carrier where the company retains substantially all risks and rewards incidentals to ownership are classified as operating leases. Charter hire income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the company in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the basis as the lease income.

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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.

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter year.

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.1. Financial Assets

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the financial instruments.

a) Classification of financial assets

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

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. With the exception of other receivables that do not contain a significant financing component or for which the company has applied the practical expedient, 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. 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.

Purchase or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the company commit to purchase or sell the asset.

For purpose of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost.
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss

b) Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that solely payments of principal and interest on the principal outstanding.

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.1. Financial Assets – cont'd

b) Financial assets at amortised cost – cont'd

Financial assets at amortised cost include trade and other receivables, and other financial assets that held with the objective of collecting contractual cash flows. After initial measurement at fair value, the financial assets are measured at amortised cost using the effective interest rate (EIR) method, less impairment.

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.

The company has balances bank balances that are held within a business model, whose objective is collecting contractual cash flows.

i) Bank balances

Bank balances comprises the total amount of money held at the bank by the company.

Other than financial assets at amortised cost, the company does not designate any financial assets under any other category under FRS 109.

c) Impairment of financial assets

The company assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and FVOCI. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other receivables and contract assets, the company measures the loss allowance at an amount equal to the lifetime expected credit losses. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The company considers a financial asset in default when contractual payments are 30 days due. However, in certain cases, the company also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancement held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.1. Financial Assets – cont'd

d) Derecognition of financial assets

A financial asset is primary derecognised when:

- i) the rights to receive cash flows from the asset have expired or,
- ii) the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

3.2. Equity and Financial Liabilities

Equity instruments issued by the company and financial liabilities are classified accordingly to the substance of the contractual arrangements entered into and the definitions 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.

Proceeds from issuance of ordinary shares are recognised as share capital in equity.

b) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the financial instruments. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities carried at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Financial liabilities at amortised cost are classified within “trade and other payables” and “borrowings” on the statement of financial position.

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.2. Equity and Financial Liabilities – cont'd

b) Financial liabilities – cont'd

Financial liabilities carried at amortised cost – cont'd

i) Trade and other payables

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

ii) Borrowings

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

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the statement of financial position. Other loans due to be settled more than twelve months after the end of the reporting period are included in non-current liabilities in the statement of financial position.

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 carrying amounts is recognised in the profit and loss.

3.3. Offsetting Financial Instruments

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

4. CRITICAL ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1. Critical Judgement in Applying the company's Accounting Policies

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 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 years.

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4. CRITICAL ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – cont'd

4.1. Critical Judgement in Applying the company's Accounting Policies – cont'd

a) Determination of functional currency

The company measures foreign currency transactions in the functional currency of the company. In determining the functional currency 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 influences 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 operate.

b) Income taxes

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations 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 provisions in the period in which such determination is made.

4.2. Key Sources of Estimation Uncertainties

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 motor vessel

The company reviews the carrying amount of the motor vessel at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of motor vessel, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, require the company to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the company's financial condition and results of operations.

The carrying amount of the motor vessel at 31 March 2020 is **US\$54,459,716** (2019: US\$57,395,923).

b) Depreciation of motor vessel

Motor vessel is depreciated on a straight-line basis over the estimated useful lives after taking into account the estimated residual value. The company reviews the estimated useful lives of the motor vessel regularly based on the factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information in order to determine the amount of depreciation expense to be recorded during any reporting period. Changes in the expected level of use of the assets and the company's historical experience with similar assets after taking into account anticipated technological changes could impact the economic useful lives and the residual values of the assets, therefore future depreciation charges could be revised. Any changes in the economic useful lives could impact the depreciation charges and consequently affect the company's result.

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4. CRITICAL ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.2. Key Sources of Estimation Uncertainties – cont'd

c) Estimated service life, scrap value and recoverable amount of vessels

The estimated service life and scrap value of the vessel are assessed annually and adjusted if necessary. Irrespective of indications of impairment, the recoverable value of vessel is determined at least annually based on calculated value in use. Significant changes in the estimated service life and scrap values and the result of the impairment test of vessel may have an impact on operating income. The carrying amount of vessel is disclosed in Note 8 to the financial statements.

d) Net realisable value of bunker and lubricants

Net realisable value of bunker and lubricants are the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at each end of the reporting period.

e) Provisions

Provisions are recognised in accordance with the accounting policy in Note 2.12. To determine whether it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made, the company takes into consideration factors such as the existence of legal/contractual agreements, past historical experience, external advisors' assessments and other available information.

f) Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on management's view of the expected outcome of the applicable contingency. To determine whether there is objective evidence of contingent liability, the management considers factors such as probability of occurrence or non-occurrence of uncertain future events and also consults a legal counsel of matters related to litigations.

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 and the headings in which they are included are as follows:

	<u>2020</u> US\$	<u>2019</u> US\$
Financial assets		
<u>At amortised cost:</u>		
- Bank balances	<u>88,881</u>	<u>39,757</u>
Financial liabilities		
<u>At amortised cost:</u>		
- Borrowings	11,191,989	15,934,383
- Trade and other payables	<u>33,000,115</u>	<u>32,368,414</u>
	<u><u>44,192,104</u></u>	<u><u>48,302,797</u></u>

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT

5.1. Categories of financial assets and liabilities – cont'd

Further quantitative disclosures are included throughout these financial statements.

5.2. Financial Risk Management Policies and Objective

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. 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.

a) Credit risk

Credit risk refers to risk that counterparty will default on their obligations to repay amounts owing to company resulting in a loss to the company. The carrying amount of bank balances represents the company's maximum exposure to credit risk in relation to financial assets.

i) Bank balances

The company's bank balances as detailed in Note 11 to the financial statements are held in major financial institutions, which are regulated and located in Singapore, which the management believes are of high credit quality. The main purpose of these financial instruments is to finance the company's operations. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors' resolutions, with banking mandates, which define the permitted financial instruments, and facilities limits, all of which are approved by the Board of Directors.

No other financial assets carry a significant exposure to credit risk.

As the company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings assigned by international credit-rating agencies.

Financial assets that are either past due or impaired

There are no other class of financial assets that is either past due or impaired.

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.

RAHI 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 Objective – cont'd

c) Liquidity risk – cont'd

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 instruments based on the earlier of the contractual date or when the company is expected to pay.

<u>2020</u>	<u>Effective interest rate (%)</u>	<u>Carrying amount US\$</u>	<u>One year or less US\$</u>	<u>Contractual undiscounted cash flows</u>		<u>Total US\$</u>
				<u>Two to five years US\$</u>	<u>Over five years US\$</u>	
<u>Financial liabilities:</u>						
Borrowings	3 - 8	11,191,989	5,195,736	6,503,087	-	11,698,823
Trade and other payables		33,000,115	33,000,115	-	-	33,000,115
Total undiscounted financial liabilities		44,192,104	38,195,851	6,503,087	-	44,698,938
<u>2019</u>	<u>Effective interest rate (%)</u>	<u>Carrying amount US\$</u>	<u>One year or less US\$</u>	<u>Contractual undiscounted cash flows</u>		<u>Total US\$</u>
				<u>Two to five years US\$</u>	<u>Over five years US\$</u>	
<u>Financial liabilities:</u>						
Borrowings	3 - 8	15,934,383	6,537,491	11,698,823	-	18,236,314
Trade and other payables		32,368,414	32,368,414	-	-	32,368,414
Total undiscounted financial liabilities		48,302,797	38,905,905	11,698,823	-	50,604,728

RAHI 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 Objective – cont'd

d) Market risk

Market risk exposures are measured using sensitivity analysis indicated below:

Interest rate risk

Interest rate risk arises from the potential change in interest rates that may have an adverse effect on the company's current results in the current reporting period and in future years.

The company is exposed to interest rate risk through the impact of rate changes on interest bearing loans in Singapore. The company's policy is to obtain most favourable interest rate available in the market. The company ensures that it obtains borrowings at competitive interest rates under the most favourable terms and conditions. The interest rates and terms of repayment of borrowings of the company are disclosed in Note 13 to the financial statements. The management believes the interest rate risk is manageable. Hence, the company does not use any derivative financial instruments to mitigate this risk.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if US\$ interest rates had been 50 (2019: 50) basis points lower/higher with all other variables held constant, the company's profit before tax would have been **US\$111,729** (2019: US\$158,772) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, higher/lower interest income from floating rate deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Foreign currency risk

Foreign currency 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. Foreign exchange 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 foreign currency sensitivity analysis is prepared as the majority of the financial assets and financial liabilities are denominated in United States dollars.

e) Bunkers price risk

Bunkers price risk arose from the change in the bunker prices that may have an adverse effect on the company's result in the current reporting period and in future periods.

The company's bunkers comprise of Intermediate Fuel Oil and Marine Diesel Oil. These bunkers prices are subject to fluctuations attributable to market supply and demand conditions. The company manages such risk by monitoring the bunker prices and through stringent purchase process of not acquiring bunkers at price above the normal range based on historical information available and by not overstocking on any particular type of bunkers. The management believes that the bunkers price risk is manageable. Hence, the company does not enter into derivative products to manage market exposure to adverse price movement in bunker.

RAHI 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 Objective – cont'd

e) Bunkers price risk – cont'd

No bunker price sensitivity analysis has been prepared as the impact would be immaterial to the company.

f) Fair value of financial assets and financial liabilities

i) Estimation of fair values

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained through discounted cash flow models and option pricing models as appropriate.

Management considers that the carrying amounts of bank balances, trade and other payables and borrowings recorded at amortised cost in the financial statement approximate their fair values.

ii) Fair value measurement

The company does not anticipate that the carrying amounts recorded at the end of the reporting period would significantly differ from the values that would eventually be received or settled.

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 as borrowings and 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.

	<u>2020</u> US\$	<u>2019</u> US\$
Borrowings	11,191,989	15,934,383
Trade and other payables	33,000,115	32,368,414
Less: Bank balances	88,881	(39,757)
Net debt	44,280,985	48,263,040
Total equity	10,588,138	10,583,185
Total capital	54,869,123	58,836,225
Gearing ratio	81%	82%

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

6. HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Adani Shipping Pte. Ltd., a company incorporated in the Republic of Singapore. The ultimate holding company is Adani Enterprises Ltd, a company incorporated in India.

7. RELATED PARTY TRANSACTIONS

Some of the company's transactions and arrangements and terms thereof are arranged with the related party and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest free and repayable on demand.

Significant transactions with related parties are as follows:

	<u>2020</u> US\$	<u>2019</u> US\$
Immediate holding company		
- Charter hire income	7,686,000	7,665,000
- Brokerage & Commission expense	(288,225)	(287,438)
Other related party		
- Vessel management fee	<u>(120,000)</u>	<u>(120,000)</u>

8. MOTOR VESSEL

<u>2020</u>	<u>Motor vessel</u> US\$
<u>Cost</u>	
At 01.04.2019 and 31.03.2020	<u>81,561,308</u>
<u>Accumulated depreciation</u>	
At 01.04.2019	24,165,385
Charged for the year	<u>2,936,207</u>
At 31.03.2020	<u>27,101,592</u>
<u>Carrying amount</u>	
At 31.03.2020	<u>54,459,716</u>
At 31.03.2019	<u>57,395,923</u>

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

8. MOTOR VESSEL – cont'd

<u>2019</u>	<u>Motor vessel</u> <u>US\$</u>
<u>Cost</u>	
At 1.4.2018 and 31.3.2019	<u>81,561,308</u>
<u>Accumulated depreciation</u>	
At 1.4.2018	21,229,178
Charged for the year	<u>2,936,207</u>
At 31.3.2019	<u>24,165,385</u>
<u>Carrying amount</u>	
At 31.3.2019	<u>57,395,923</u>
At 31.3.2018	<u>60,332,130</u>

The residual value (estimated scrap value at the end of the motor vessels' useful live) of the motor vessel were estimated at **US\$8,156,131** (2019: US\$8,156,131). The company has calculated the residual value of the motor vessel taking into consideration of the scrap cost. The company has applied uniformly the steel scrap value of US\$311 per ton of its motor vessel. The company believes that the assumptions used to determine the scrap rate, through subjective in part because of the cyclical nature of future demand for scrap steel, are reasonable and appropriate.

During the year, the company carried out a review of the recoverable amount of the motor vessel. As a result, there were no allowances for impairment or revisions to the useful lives required for the motor vessel.

The motor vessel has been mortgaged to a lender as security for long-term loan availed to the company (Note 13).

9. BUNKERS AND LUBRICANTS

	<u>2020</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>
Lubricants	125,094	102,446
Provisions	<u>9,393</u>	<u>12,691</u>
	<u>134,487</u>	<u>115,137</u>

The cost of inventories recognised as an expense and included in "cost of services" amounted to **US\$116,985** (2019: US\$95,313).

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

10. OTHER CURRENT ASSETS

	<u>2020</u> US\$	<u>2019</u> US\$
Advance	74,503	1,328,875
Deposit	6,290	6,290
Prepayments	16,364	-
	<u>97,157</u>	<u>1,335,165</u>

The company's management considers that no allowance for impairment of other current assets is necessary as there was no recent history of default in respect of these assets.

11. BANK BALANCES

	<u>2020</u> US\$	<u>2019</u> US\$
Cash at banks	<u>88,881</u>	<u>39,757</u>

Bank balances are denominated in the following currencies:

	<u>2020</u> US\$	<u>2019</u> US\$
Singapore dollar	7,442	8,755
United States dollar	<u>81,439</u>	<u>31,002</u>
	<u>88,881</u>	<u>39,757</u>

12. 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 paid up</u> Ordinary shares	<u>51,000</u>	<u>51,000</u>	<u>39,352</u>	<u>39,352</u>

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

13. BORROWINGS

	<u>2020</u> US\$	<u>2019</u> US\$
Term loan		
Non-current liabilities	6,331,636	11,191,990
Current liabilities	<u>4,860,353</u>	<u>4,742,393</u>
	<u>11,191,989</u>	<u>15,934,383</u>

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

13. BORROWINGS – cont'd

On 17 May 2012, the company obtained a term loan amounting to US\$43.75 million from Kowa Marine Pvt Inc. for repayment of a bank loan.

The borrowings are represented by two tranches: (i.e. Tranches A and Tranche B). Tranches A amounting to US\$39.37 million, bears interest at the rate of 3% (2019: 3%) over London Inter-Bank Offer Rate (“Libor”) per annum and repayable by 40 instalments over a period of 10 years from June 2012. Tranches B amounting to US\$4.35 million, bears interest at the rate of 8% (2019: 8%) per annum and repayable over a period of 10 years from June 2012.

The loan is secured as follows:

- i) First priority mortgage over the company's vessel, M.V. Rahi (Note 8).
- ii) Assignment of insurance policies and charter earnings.
- iii) Indemnity from the company.

14. TRADE AND OTHER PAYABLES

	<u>2020</u> US\$	<u>2019</u> US\$
Trade payables:		
- third parties	49,833	782,502
- related party	2,250	9,000
- immediate holding company	<u>32,829,870</u>	<u>31,447,836</u>
	32,881,953	32,239,338
Other payables:		
- accruals	<u>118,162</u>	<u>129,076</u>
	<u>33,000,115</u>	<u>32,368,414</u>

Trade and other payables are non-interest bearing and are normally settled on 30 to 90 days (2019: 30 to 90 days). Trade payables are principally comprise amounts outstanding for trade purchases.

Amount due to immediate holding company and a related party are unsecured, interest free and repayable on demand.

15. REVENUE

The significant category of revenue recognised during the financial period is as follows:

	<u>2020</u> US\$	<u>2019</u> US\$
Freight hire income	<u>7,686,000</u>	<u>7,665,000</u>

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

16. OTHER INCOME

	<u>2020</u> US\$	<u>2019</u> US\$
Miscellaneous income	1,639	383
Sundry balance written off	-	1
	<u>1,639</u>	<u>384</u>

17. FINANCE COSTS

	<u>2020</u> US\$	<u>2019</u> US\$
Interest on term loan	770,418	1,056,255
Bank charges	14,703	15,162
	<u>785,121</u>	<u>1,071,417</u>

18. INCOME TAX

a) Major component of income tax expenses

The major components of income tax expense are as follows:

	<u>2020</u> US\$	<u>2019</u> US\$
Current year provision	-	-

b) Relationship between income tax expense and accounting profit

The income tax expense is lower than the amount of income tax expense determined by applying the Singapore Income Tax rate of 17% (2019: 17%) to profit before income tax as a result of the following differences:

	<u>2020</u> US\$	<u>2019</u> US\$
Profit before income tax	<u>4,952</u>	<u>1,205,529</u>
Income tax expense calculated at 17%	842	204,940
Tax effects of:		
- non-allowable items	499,155	499,155
- exempt income under Section 13(A)	<u>(499,997)</u>	<u>(704,095)</u>
	<u>-</u>	<u>-</u>

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

18. INCOME TAX – cont'd

c) Movement in income tax payables

The movement in income tax payables are as follows:

	<u>2020</u> US\$	<u>2019</u> US\$
At beginning of year	-	-
Income tax paid	-	-
	<u>-</u>	<u>-</u>

Exemption of shipping income

Profits from operation of Singapore-flagged vessels in international waters are exempt from Singapore income tax under Singapore Income Tax Act Section 13A.

19. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	<u>2020</u> US\$	<u>2019</u> US\$
Depreciation of motor vessel	<u>2,936,207</u>	<u>2,936,207</u>

20. RECONCILIATION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

The table below details changes in the company's liabilities arising from financing activities, including both cash and non-cash changes.

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

<u>2020</u>	<u>Borrowings</u> US\$	<u>Holding Company</u> US\$
At April 2019	15,934,383	31,447,386
<u>Financing cash flow</u>		
Proceeds from	-	
Repayment to	<u>(4,777,719)</u>	<u>(1,382,034)</u>
	11,156,664	32,829,870
<u>Non-cash changes</u>		
Add: Interest expense	<u>35,325</u>	<u>-</u>
As at 31 March 2020	<u>11,191,989</u>	<u>32,829,870</u>

RAHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

21. RECONCILIATION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES – cont'd

<u>2019</u>	<u>Borrowings</u> US\$	<u>Holding Company</u> US\$
At April 2018	20,475,301	30,505,382
<u>Financing cash flow</u>		
Proceeds from	-	942,454
Repayment to	(4,606,620)	-
	15,868,681	31,447,836
<u>Non-cash changes</u>		
Add: Interest expense	65,702	-
As at 31 March 2019	15,934,383	31,447,386

22. EVENTS AFTER THE REPORTING PERIOD

No items, transactions or events of material and unusual nature have 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 financial year.