

NATCO PHARMA ASIA PTE. LTD.
(Incorporated in Singapore)
Reg. No: 201230076Z

**ANNUAL FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR
ENDED 31 MARCH 2023**

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NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

DIRECTORS' STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

The directors present their statement to the members together with the audited financial statements of Natco Pharma Asia Pte. Ltd. (the Company) for the financial year ended 31 March 2023.

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 2022 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, 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:

Mente Subba Rao
Virkar Girish Suresh
Prabhakaran Mangayarkarasi

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

4. DIRECTORS' INTEREST IN SHARES OR DEBENTURES

According to the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act 1967 (the Act), the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations except as stated below:

<u>Name of directors</u>	Direct interest	
	<u>At beginning of the financial year</u>	<u>At end of the financial year</u>
<u>Ordinary shares of the Holding Company</u>		
Mente Subba Rao	44,850	52,060
<u>Ordinary shares of the Company</u>		
Virkar Girish Suresh	5,000	5,000

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 2012300762)

DIRECTORS' STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

5. SHARE OPTIONS

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

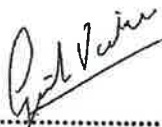
There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

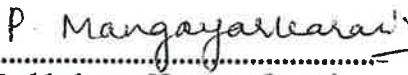
There were no unissued shares of the Company under option as at the end of the financial year.

6. AUDITOR

V. P. Kumaran & Co. has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors


.....
Virkar Girish Suresh
Director


.....
Prabhakaran Mangayarkarasi
Director

Singapore,
27 April 2023

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NATCO PHARMA ASIA PTE. LTD.**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Natco Pharma Asia Pte. Ltd. (the Company), which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 1967 (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 2023 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement as 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATCO PHARMA ASIA PTE. LTD.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NATCO PHARMA ASIA PTE. LTD.**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
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- 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 exist, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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



V. P. KUMARAN & CO
Public Accountants and
Chartered Accountants

Singapore,

27 APR 2023

AL/DB/SY/HO

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	<u>Note</u>	<u>2023</u> S\$	<u>2022</u> S\$
ASSETS			
Non-current assets			
Property, plant and equipment	4	49,353	11,029
Current assets			
Inventories	5	741,175	832,516
Cash and cash equivalents	6	1,813,078	1,144,471
Trade and other receivables	7	882,511	753,054
		<u>3,436,764</u>	<u>2,730,041</u>
Total assets		<u>3,486,117</u>	<u>2,741,070</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	9	12,661	-
Current liabilities			
Trade and other payables	8	663,102	937,655
Lease liabilities	9	36,684	17,901
Income tax payable	16	8,486	-
		<u>708,272</u>	<u>955,556</u>
Total liabilities		<u>720,933</u>	<u>955,556</u>
Net assets		<u>2,765,184</u>	<u>1,785,514</u>
EQUITY			
Share capital	10	2,100,000	2,100,000
Retained earnings/(accumulated losses)		665,184	(314,486)
Total equity		<u>2,765,184</u>	<u>1,785,514</u>

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

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	Note	2023 S\$	2022 S\$
INCOME			
Sale of goods	11	3,097,127	2,477,163
Other income	12	29,735	78,576
		<u>3,126,862</u>	<u>2,555,739</u>
COSTS AND EXPENSES			
Change in inventories		91,341	(473,495)
Purchase		1,557,852	1,715,110
Depreciation of property, plant and equipment	4	35,706	30,331
Finance cost	13	2,489	80,764
Staff cost	14	308,904	311,577
Other operating expenses		142,414	170,928
		<u>2,138,706</u>	<u>1,835,215</u>
PROFIT BEFORE TAX	15	988,156	720,524
Income tax expense	16	(8,486)	-
NET PROFIT REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>979,670</u>	<u>720,524</u>

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

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	Share capital	Retained earnings/ (accumulated losses)	Total equity
	S\$	S\$	S\$
2023			
Balance at beginning of financial year	2,100,000	(314,486)	1,785,514
Total comprehensive income for the financial year	-	979,670	979,670
Balance at end of financial year	<u>2,100,000</u>	<u>665,184</u>	<u>2,765,184</u>
2022			
Balance at beginning of financial year	2,100,000	(1,035,010)	1,064,990
Total comprehensive income for the financial year	-	720,524	720,524
Balance at end of financial year	<u>2,100,000</u>	<u>(314,486)</u>	<u>1,785,514</u>

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

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	Note	2023	2022
		S\$	S\$
Cash flows from operating activities			
Profit before tax		988,156	720,524
Adjustment for:			
Depreciation of property, plant and equipment	4	35,706	30,331
Interest expense	13	2,489	80,764
Interest income	12	(17,021)	(78,576)
Gain on lease liabilities written off	12	(7,800)	-
Operating profit before working capital changes		<u>1,001,530</u>	<u>753,043</u>
Changes in working capital:			
Inventories		91,341	(473,495)
Trade and other receivables		(112,499)	2,128,896
Trade and other payables		<u>(274,553)</u>	<u>451,734</u>
Cash generated from operations		<u>705,819</u>	<u>2,860,178</u>
Interest paid		-	(79,626)
Interest received		63	259,540
Net cash generated from operating activities		<u>705,882</u>	<u>3,040,092</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1,275)	-
Increase in fixed deposits pledged		<u>(1,500,000)</u>	<u>-</u>
Net cash used in investing activities		<u>(1,501,275)</u>	<u>-</u>
Cash flows from financing activities			
Repayment of loan to holding company		-	(2,100,000)
Repayment of principal portion of lease liabilities	17(d)	<u>(36,000)</u>	<u>(23,400)</u>
Net cash used in financing activities		<u>(36,000)</u>	<u>(2,123,400)</u>
Net change in cash and cash equivalents		<u>(831,393)</u>	<u>916,692</u>
Cash and cash equivalents at beginning of financial year		<u>1,144,471</u>	<u>227,779</u>
Cash and cash equivalents at end of financial year	6	<u>313,078</u>	<u>1,144,471</u>

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

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2023

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

1. GENERAL

Natco Pharma Asia Pte. Ltd. (the Company) is a limited private liability company incorporated and domiciled in Singapore.

The registered office of the Company is located at

111 North Bridge Road
#23-05 Peninsula Plaza
Singapore 179098

The principal place of business of Company is at

62 Ubi Road 1,
#03-21, Oxley Bizhub 2,
Singapore 408734

The principal activities of the Company are those relating to wholesale of medical and pharmaceutical products (western) and R & D pharmaceutical products.

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

The holding company is Natco Pharma Limited incorporated in India.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Singapore Dollar (S\$), which is the Company's functional currency.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 April 2022. The adoption of these standards did not have any material effect on the financial performance or position of the company.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to FRS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to FRS 1 <i>Presentation of Financial Statements</i> : Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to FRS 1 <i>Presentation of Financial Statements</i> and FRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
<i>Accounting Estimates and Errors</i> : Definition of Accounting Estimates	1 January 2023
Amendments to FRS 12 <i>Income Taxes</i> : Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to FRS 116 Leases: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to FRS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants	1 January 2024

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

2.4 Foreign currency transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of comprehensive income as incurred.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

- | | |
|--------------------------|---------------------------------|
| • Office equipment | 3 years |
| • Furniture and fittings | 3 years |
| • Renovations | 3 years |
| • Leasehold building | Over lease period
of 2 years |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

Fully depreciated assets which are still in use will continue to be recognised in the financial statements.

2.6 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and bank deposits which are subject to an insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.8 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

2.9 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (continued)

(a) Financial assets (continued)

Initial recognition and measurement (continued)

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, 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.

Subsequent measurement

Investments in debts instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the assets and the contractual cash flow characteristics of the assets. The three measurement categories for classification of debt instruments are amortised cost, fair value through other comprehensive income (FVOCI) and FVPL.

The Company only had debt instruments 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. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognized or impaired, and through amortised process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (continued)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.10 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (continued)

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.12 Government grants

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is recognised as income in equal amounts over the expected useful life of the related asset

2.13 Employee benefits

Defined contribution plans

The Company participates in the national pension schemes as defined by the laws of the country in which it has operations. In particular, the Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases

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

As lessee

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

Right-of-use assets

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

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.8.

The Company's right-of-use assets are presented within property, property, plant and equipment (Note 4).

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases (continued)

As lessee (continued)

Lease liabilities (continued)

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

The Company's lease liabilities are included in Note 9.

Short-term leases

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

2.15 Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Sale of goods

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The Company performance obligation on the sale of goods is recognised at a point in time when the customer obtain control of the goods.

Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

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

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by 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 income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Goods and Services Tax (GST)

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

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Related parties

A related party is defined as follows:

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.1 Judgments made in applying accounting policies

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on the amounts recognised in the financial statements:

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, judgment 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 determine the sales prices of the goods and services. The functional currency of the Company is determined based on management's assessment of the economic environment in which it operates and its process of determining sales prices.

3.2 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 are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Inventory valuation method

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines. The realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available and inherently involves estimates regarding the future expected realisable value.

The carrying amount of the Company's inventories as at 31 March 2023 was S\$741,175 (2022: S\$832,516).

Useful lives of plant and equipment

The cost of plant and equipment is depreciated on straight-line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 3 years. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised.

The carrying amount of the Company's plant and equipment at the statement of financial position date is disclosed in Note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

Provision for expected credit losses of trade 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.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about ECLs of the Company's trade receivables is disclosed in Note 19.

The carrying amount of the Company's trade receivables as at 31 March 2023 was S\$847,334 (2022: S\$734,835).

Income taxes

The Company has exposure to income taxes. A degree of judgement is involved in determining the Company's 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 would 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.

Leases – estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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4. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building	Office equipment	Furniture and fittings	Renovation	Total
	S\$	S\$	S\$	S\$	S\$
Cost					
At 1 April 2021, 31 March 2022					
and 1 April 2022	100,809	16,521	7,003	64,685	189,018
Additions	72,755	1,275	-	-	74,030
Written off	(100,809)	-	-	-	(100,809)
At 31 March 2023	72,755	17,796	7,003	64,685	162,239
Accumulated depreciation					
At 1 April 2021	61,300	14,670	7,003	64,685	147,658
Depreciation for the year	29,632	699	-	-	30,331
At 31 March 2022 and 1 April 2022	90,932	15,369	7,003	64,685	177,989
Depreciation for the year	34,129	1,577	-	-	35,706
Written off	(100,809)	-	-	-	(100,809)
At 31 March 2023	24,252	16,946	7,003	64,685	112,886
Net carrying amount					
At 31 March 2022	9,877	1,152	-	-	11,029
At 31 March 2023	48,503	850	-	-	49,353

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such assets are disclosed in Note 17.

5. INVENTORIES

	2023	2022
	S\$	S\$
Finished goods	741,175	832,516

Finished goods comprised of medical and pharmaceutical products. The cost of inventories recognised as an expense and included cost of sale amount to S\$1,649,193 (2022: S\$1,241,615).

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

6. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Cash on hand	1,178	1,178
Cash at bank	311,900	1,143,293
Fixed deposits	1,500,000	-
	<u>1,813,078</u>	<u>1,144,471</u>

The maturity periods of the fixed deposits were 360 days. (2022: Nil).

The average effective interest rates relating to fixed deposits at the statement of financial position date was 5.2% (2022: Nil) per annum.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at the end of the reporting period:

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Cash and cash equivalents	1,813,078	1,144,471
Less: fixed deposits	(1,500,000)	-
Cash and cash equivalents per statement of cash flows	<u>313,078</u>	<u>1,144,471</u>

Cash and cash equivalents are denominated in the following currencies:

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Singapore Dollar	313,078	1,144,471
United States Dollar	1,500,000	-
	<u>1,813,078</u>	<u>1,144,471</u>

7. TRADE AND OTHER RECEIVABLES

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Trade receivables	847,334	734,835
Deposits	12,620	12,620
Interest receivables	16,958	-
Other receivables	5,599	5,599
	<u>882,511</u>	<u>753,054</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 (2022: 30 to 90) days terms.

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

Expected credit losses ("ECL")

There is no allowance for expected credit loss of trade receivables computed based on lifetime ECL.

Trade and other receivables are denominated in the following currencies:

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Singapore Dollar	865,553	753,054
United States Dollar	16,958	-
	<u>882,511</u>	<u>753,054</u>

8. TRADE AND OTHER PAYABLES

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Trade payables - holding company	558,946	803,942
Amount due to a director	44,328	47,137
Other payables	15,400	15,400
Accrued expenses	26,861	53,818
GST payables	17,567	17,358
	<u>663,102</u>	<u>937,655</u>

Trade payables

Trade payables are non interest bearing and are normally settled on 30 (2022: 30) days' term.

Amount due to a director

Amount due to a director was non-trade related, unsecured, non-interest bearing and is repayable on demand.

Trade and other payables are denominated in Singapore Dollar.

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NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

9. LEASE LIABILITIES

	<u>2023</u> S\$	<u>2022</u> S\$
Non-current		
Lease liabilities	12,661	-
Current		
Lease liabilities	36,684	17,901
Total	49,345	17,901

A reconciliation of liabilities arising from financing activities is as follows:

			<u>Non-cash changes</u> <u>Accretion</u> <u>of</u>			
	<u>1 April 2022</u>	<u>Cash flows</u>	<u>Acquisition</u>	<u>interests</u>	<u>Other</u>	<u>31 March</u>
	S\$	S\$	S\$	S\$	S\$	2023
Liabilities						
Lease liabilities						
- Current	17,901	(36,000)	-	2,489	28,271	12,661
- Non current	-	-	72,755	-	(36,071)	36,684
	<u>17,901</u>	<u>(36,000)</u>	<u>72,755</u>	<u>2,489</u>	<u>(7,800)</u>	<u>49,345</u>

			<u>Non-cash changes</u> <u>Accretion</u> <u>of</u>			
	<u>1 April 2021</u>	<u>Cash flows</u>	<u>Acquisition</u>	<u>interests</u>	<u>Other</u>	<u>31 March</u>
	S\$	S\$	S\$	S\$	S\$	2022
Liabilities						
Lease liabilities						
- Current	40,163	(23,400)	-	1,138	-	17,901
	<u>40,163</u>	<u>(23,400)</u>	<u>-</u>	<u>1,138</u>	<u>-</u>	<u>17,901</u>

The “other” column relates to reclassification of non-current portion of lease liabilities due to passage of time of S\$28,271 (2022: Nil) as well as gain on lease liabilities written off of S\$7,800 (2022: Nil) under current portion.

Lease liabilities are denominated in Singapore Dollar.

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NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

10. SHARE CAPITAL

	<u>2023</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
Issued and fully paid	No. of shares	\$	No. of shares	\$
ordinary shares:				
At beginning and end of financial year	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,100,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and have no par value.

11. REVENUE

Disaggregation of revenue

Timing of transfer of good or service

	<u>At a point in time</u>	<u>Total</u>
	S\$	S\$
31 March 2023		
Sale of goods	<u>3,097,127</u>	<u>3,097,127</u>
31 March 2022		
Sale of goods	<u>2,477,163</u>	<u>2,477,163</u>

12. OTHER INCOME

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Government grant	4,914	-
Interest income	17,021	78,576
Gain on lease liabilities written off	<u>7,800</u>	<u>-</u>
	<u>29,735</u>	<u>78,576</u>

13. FINANCE COSTS

Interest expense on loan from related company	-	79,626
Interest on lease liabilities	<u>2,489</u>	<u>1,138</u>
	<u>2,489</u>	<u>80,764</u>

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NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

14. STAFF COST

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Director's salary	177,550	228,767
Staff salaries and other related cost	115,460	71,848
CPF contributions	15,894	10,962
	<u>308,904</u>	<u>311,577</u>

15. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Conveyance	34,203	35,819
Delivery charges	13,733	10,720
Depreciation of property, plant and equipment (Note 4)	35,706	30,331
Finance cost (Note 13)	2,489	80,764
Office expenses	28,812	12,191
Office rent (Note 17(c))	-	7,800
Professional fee	7,050	25,320
Product registration charges (HSA)	12,536	27,182
Staff costs (Note 14)	<u>308,904</u>	<u>311,577</u>

16. INCOME TAX EXPENSE

The major components of income tax expense recognised in profit or loss for the years ended 31 March 2023 and 2022 were:

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Current year income tax	<u>8,486</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

16. INCOME TAX EXPENSE (CONTINUED)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 March 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Profit before tax	988,156	720,524
Income tax expense using the corporate tax rate of 17% (2022: 17%)	167,987	122,489
Non-deductible expenses	268	5,156
Income tax exemption	(17,425)	-
Utilisation of prior year losses	(142,344)	(127,645)
	<u>8,486</u>	<u>-</u>

Movement in income tax payable

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Balance at beginning of financial year	-	-
Current year's income tax provision	8,486	-
Balance at end of financial year	<u>8,486</u>	<u>-</u>

As at 31 March 2023, the Company has unutilised tax losses of Nil (2022: S\$837,318) which are available for set-off against future taxable income subject to agreement by the tax authority and the provision of the Singapore Income Tax Act. They have not been recognised in the financial statements due to uncertainty of their recovery.

17. LEASES

Company as a lessee

The Company has lease contracts for building. The Company's obligations under these leases are secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases of property with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.

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NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

17. LEASES (CONTINUED)

Company as a lessee (continued)

a) Carrying amounts of right-of-use assets classified within property, plant and equipment

	<u>Leasehold building</u>	<u>Total</u>
	S\$	S\$
At 1 April 2021	39,509	39,509
Depreciation	<u>(29,632)</u>	<u>(29,632)</u>
At 31 March 2022 and 1 April 2022	9,877	9,877
Addition	72,755	72,755
Depreciation	<u>(34,129)</u>	<u>(34,129)</u>
At 31 March 2023	<u><u>48,503</u></u>	<u><u>48,503</u></u>

b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are disclosed in Note 9 and the maturity analysis of lease liabilities is disclosed in Note 19.

c) Amounts recognised in profit or loss

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Depreciation of right-of-use assets	34,129	29,632
Interest expense on lease liabilities (Note 13)	2,489	1,138
Expenses relating to short-term lease	<u>-</u>	<u>7,800</u>
Total amount recognised in profit or loss	<u><u>36,618</u></u>	<u><u>38,570</u></u>

d) Total cash outflow

The Company had total cash outflows for leases of S\$36,000 (2022: S\$23,400).

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, in addition to information disclosed elsewhere in the financial statements, significant related party transactions between the Company and related parties carried out on terms agreed between the parties in the normal course of business are as follows:

Related Party transaction

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Interest income from related party	-	77,316
Interest expense to holding company	-	79,626
Purchases from holding company	<u>1,557,852</u>	<u>1,711,470</u>

Compensation of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including directors of the Company.

During the financial year, the following payments were made to the directors of the Company representing the total remuneration of key management personnel:

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Director's remuneration	<u>177,550</u>	<u>228,767</u>

19. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

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

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

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

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

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

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

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment. The Company determined that its financial assets are credit-impaired when:

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

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

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

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

Below details the credit quality of the Company's financial assets as well as maximum exposure to credit risk.

	Note	Category	12-month or lifetime ECL	Gross Carrying Amount	Loss Allowance	Net Carrying Amount
				S\$	S\$	S\$
31 March 2023						
			lifetime ECL			
Trade receivables	7	Note 1	(simplified)	847,334	-	847,334
Other receivables	7	Note 2	12-month ECL	35,177	-	35,177
31 March 2022						
			lifetime ECL			
Trade receivables	7	Note 1	(simplified)	734,835	-	734,835
Other receivables	7	Note 2	12-month ECL	18,219	-	18,219

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Trade receivables (Note 1)

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

	Trade receivables					Total
	Not past due	Days past due				
		≤30 days	31-60	61-90	>90 days	
			days	days		
	S\$	S\$	S\$	S\$	S\$	S\$
31 March 2023						
ECL rate	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	-	432,634	64,167	166,353	184,180	847,334
ECL	-	-	-	-	-	-
						847,334
31 March 2022						
ECL rate	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	-	485,257	196,970	557	52,051	734,835
ECL	-	-	-	-	-	-
						734,835

Excessive risk concentration

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

Exposure to credit risk

The Company has no significant concentration of credit risk. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Other receivables and deposits (Note 2)

The Company assesses on a forward-looking basis the expected credit losses associated with financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company considers that the credit risk of these counter parties have not increased. The amount on the ECL allowance for other receivables was insignificant.

Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term 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. It is managed by matching the payment and receipt cycles. 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's operations are financed mainly through equity. The directors are satisfied that funds are available to finance the operations of the Company.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying amount	Contractual cashflow	One year or less	Two to five years
2023	S\$	S\$	S\$	S\$
<u>Financial assets</u>				
Cash and cash equivalents	1,813,078	1,813,078	1,813,078	-
Trade and other receivables	882,511	882,511	882,511	-
Total undiscounted financial assets	2,695,589	2,695,589	2,695,589	-
<u>Financial liabilities</u>				
Trade and other payables (Exclude GST payables)	645,535	645,535	645,535	-
Lease liabilities	49,345	52,200	38,000	14,200
Total undiscounted financial liabilities	694,880	697,735	683,535	14,200
Total net undiscounted financial assets/(liabilities)	2,000,709	1,997,854	2,012,054	(14,200)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations. (continued)

	Carrying amount	Contractual cashflow	One year or less
2022	S\$	S\$	S\$
<u>Financial assets</u>			
Cash and cash equivalents	1,144,471	1,144,471	1,144,471
Trade and other receivables	753,054	753,054	753,054
Total undiscounted financial assets	<u>1,897,525</u>	<u>1,897,525</u>	<u>1,897,525</u>
<u>Financial liabilities</u>			
Trade and other payables (Exclude GST payables)	920,297	920,297	920,297
Lease liabilities	17,901	18,840	18,840
Total undiscounted financial liabilities	<u>938,198</u>	<u>939,137</u>	<u>939,137</u>
Total net undiscounted financial assets	<u>959,327</u>	<u>958,388</u>	<u>958,388</u>

Market risk

Market risk is the risk that changes in market prices, such as interest rate risk and foreign currency risk will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from cash and cash equivalents and bank borrowings.

The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonable changes to interest rates on interest bearing financial instruments at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Foreign currency risk

The Company's foreign exchange risk results mainly from cash flows from transactions denominated in foreign currencies. At present, the Company does not have any formal policy for hedging against currency risk. The Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

The Company has transactional currency exposures arising from loans, sales or purchases that are denominated in a currency other than the functional currency of the Company, primarily USD.

The Company's currency exposures to the USD at the reporting date were as follows:

	<u>2023</u> <u>USD</u> S\$	<u>2022</u> <u>USD</u> S\$
<u>Financial assets</u>		
Cash and cash equivalents	1,500,000	-
Trade and other receivables	<u>16,958</u>	<u>-</u>
Currency exposures	<u>1,516,958</u>	<u>-</u>

A 10% (2022: 10%) strengthening of Singapore Dollar against the foreign currencies denominated balances as at the reporting date would decrease profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	<u>Profit or loss (after tax)</u> <u>2023</u> S\$	<u>2022</u> S\$
United States Dollar	<u>125,908</u>	<u>-</u>

A 10% (2022: 10%) weakening of Singapore Dollar against the above currencies would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

20. FAIR VALUES OF ASSETS AND LIABILITIES

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and cash equivalents, other receivables and other payables

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

Trade receivables and trade payables

The carrying amounts of these receivables and payables (including trade balances due from/to holding and related companies) approximate their fair values as they are subject to normal trade credit terms.

Lease liabilities

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

21. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	S\$	S\$	S\$
2023			
<i>Assets</i>			
Cash and cash equivalents	1,813,078	-	1,813,078
Trade and other receivables	882,511	-	882,511
	<u>2,695,589</u>	<u>-</u>	<u>2,695,589</u>
<i>Liabilities</i>			
Trade and other payables (Exclude GST payables)	-	645,535	645,535
Lease liabilities	-	49,345	49,345
	<u>-</u>	<u>694,880</u>	<u>694,880</u>

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NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

21. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

At the reporting date, the aggregate carrying amounts of financial assets at amortised cost and financial liabilities at amortised cost were as follows: (continued)

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	S\$	S\$	S\$
2022			
<i>Assets</i>			
Cash and cash equivalents	1,144,471	-	1,144,471
Trade and other receivables	753,054	-	753,054
	<u>1,897,525</u>	<u>-</u>	<u>1,897,525</u>
<i>Liabilities</i>			
Trade and other payables (Exclude GST payables)	-	920,297	920,297
Lease liabilities	-	17,901	17,901
	<u>-</u>	<u>938,198</u>	<u>938,198</u>

22. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2023 and 31 March 2022.

The Company's overall strategy remains unchanged from 2022.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

23. COMPARATIVE FIGURES

Change in classification

During 2023, the Company modified the classification of statement of comprehensive income and statement of cash flows to reflect more appropriately the underlying nature for current year presentation. Comparative figures in the statement of comprehensive income and statement of cash flows were reclassified for consistency purposes.

	Before reclassification	Reclassification	After reclassification
	S\$	S\$	S\$
2022			
<u>Statement of comprehensive income</u>			
Interest on lease liabilities	1,138	(1,138)	-
Finance cost	79,626	1,138	80,764
<u>Statement of cash flows</u>			
Cash flows from operating activities:			
Depreciation of property, plant and equipment	699	29,632	30,331
Depreciation of right of use asset	29,632	(29,632)	-
Trade and other receivables	2,309,860	(180,964)	2,128,896
Interest paid	(80,764)	1,138	(79,626)
Interest received	78,576	180,964	259,540
Cash flows from financing activities:			
Repayment of loan to holding company	-	(2,100,000)	(2,100,000)
Repayment of principal portion of lease liabilities	(2,122,262)	2,098,862	(23,400)

24. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 March 2023 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 27 April 2023.

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DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	<u>2023</u> S\$	<u>2022</u> S\$
REVENUE	<u>3,097,127</u>	<u>2,477,163</u>
Less : COST OF SALES		
Purchases	1,557,852	1,715,110
Opening inventories	832,516	359,021
Less: Closing inventories	<u>(741,175)</u>	<u>(832,516)</u>
	<u>1,649,193</u>	<u>1,241,615</u>
GROSS PROFIT	<u>1,447,934</u>	<u>1,235,548</u>
OTHER INCOME		
Government grant	4,914	-
Interest income	17,021	78,576
Gain on lease liabilities written off	<u>7,800</u>	<u>-</u>
	<u>29,735</u>	<u>78,576</u>
PROFIT BEFORE OPERATING EXPENSES	<u>1,477,669</u>	<u>1,314,124</u>
COSTS AND EXPENSES		
Staff cost		
Staff salaries	80,498	54,088
Director's salary	177,550	228,767
Commission to sales staff	23,825	15,789
CPF contribution	15,894	10,962
Skill Development Levy	223	125
Staff welfare	<u>10,914</u>	<u>1,846</u>
	<u>308,904</u>	<u>311,577</u>
Depreciation of property, plant and equipment	<u>35,706</u>	<u>30,331</u>
Finance cost		
Interest on lease liabilities	2,489	1,138
Interest expense on loan from related company	<u>-</u>	<u>79,626</u>
	<u>2,489</u>	<u>80,764</u>

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

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DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (CONTINUED)

	<u>2023</u>	<u>2022</u>
	S\$	S\$
Other operating expenses		
Audit fee	7,650	7,850
Bank charges	700	3,457
CDAC Expenses	30	-
Clearing expenses	8,939	8,544
Conveyance	34,203	35,819
Delivery charges	13,733	10,720
Electricity expenses - City Square	2,844	1,874
Electricity expenses - Ubi	2,561	2,173
Foreign exchange loss	-	19,960
Insurance charges	1,659	1,086
Office expenses	28,812	12,191
Office rent	-	7,800
Printing and stationary expenses	4,785	271
Product registration charges (HSA)	12,536	27,182
Professional fees	7,050	25,320
Repair and maintainance	9,259	740
Stamp and duty	307	-
Subscriptions fee	55	-
Telephone expenses	7,291	5,941
	<u>142,414</u>	<u>170,928</u>
PROFIT BEFORE TAX	988,156	720,524
Income tax expense	<u>(8,486)</u>	<u>-</u>
NET PROFIT REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	<u>979,670</u>	<u>720,524</u>

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