KPMG

Strides Pharma Global Pte. Limited
Registration Number: 201322626C

Annual Report
Year ended 31 March 2022

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 March 2022.

In our opinion:

(a) the financial statements set out on pages FS1 to FS58 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 ended on that date in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore; and

(b) at the date of this statement, having regard to the financial support provided by the ultimate holding company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Directors

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

Mohana Kumar Pillai
Lavalekar Sandeep Rangnath
Dr. Kausalya Santhanam
Christoph Wilhelm Funke (Appointed on 16 November 2021)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 ('the Act'), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in related corporations are as follows:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
Name of directors and company in which interests are held	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
Ultimate holding company Strides Pharma Science Limited				
Ordinary shares				
Mohana Kumar Pillai	150,000	150,000	190,000	190,000
Dr. Kausalya Santhanam	3	1,203	1,000*	1,000*

*Joint holding with Spouse

Name of directors and company in which interests are held	Shareholdings registered in the name of directors At beginning of the year	At end of the year	Shareholdings in which directors are deemed to have an interest At beginning of the year	At end of the year
Axis Dot Ventures Pte. Ltd.				
Ordinary shares				
Mohana Kumar Pillai	1	1	–	–
Admire Ventures Pte. Limited				
Ordinary shares				
Mohana Kumar Pillai	1	1	–	–
Tenshi Assisted Living Pvt. Limited, India				
Equity shares				
Mohana Kumar Pillai	5,000	5,000	–	–
Devicam Capital LLP, India				
Contribution				
Mohana Kumar Pillai	30,000,000	30,000,000	–	–

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

Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Mohana Kumar Pillai
CEO & Managing Director

Lavalekar Sandeep Rangnath
Director

November 7, 2022

KPMG

KPMG LLP
12 Marina View
Asia Square Tower 2
#15-01
Singapore 018961

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditors' report

Member of the Company
Strides Pharma Global Pte. Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Strides Pharma Global Pte. Limited ('the Company'), which comprise the statement of financial position as at 31 March 2022, the statement of profit or loss and other 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, as set out on pages FS1 to FS58.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 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 2022 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 '*Auditors' 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 *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 contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from 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.

Auditors' 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 auditors' 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 controls.

- Obtain an understanding of internal controls 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 controls 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.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
7 November 2022

Statement of financial position
As at 31 March 2022

	Note	2022 US$	2021 US$
Non-current assets			
Plant and equipment	4	46,185,408	48,969,872
Right-of-use assets	5	13,846,596	14,810,749
Investments in subsidiaries	6	61,135,086	61,659,252
Investments in associate	7	2,450,000	2,450,000
Intangible assets	8	76,794,259	72,761,796
Trade and other receivables	9	49,312,140	99,652,258
Cash and cash equivalents	10	170,000	873,607
Deferred tax assets	17	868,174	–
		250,761,663	301,177,534
Current assets			
Trade and other receivables	9	253,929,323	112,986,637
Cash and cash equivalents	10	9,515,745	3,788,219
Inventories	11	2,895,132	8,342,700
Prepayments		1,364,717	1,854,732
Other investments at FVTPL	12	–	13,590,389
		267,704,917	140,562,677
Total assets		518,466,580	441,740,211
Equity			
Share capital	13	178,616,656	178,616,656
Hedging reserve	13	(803,199)	(3,272,255)
Monies pending allotment	14	24,240,000	26,240,000
Capital reserve	13	1,184,141	–
Retained earnings/(accumulated losses)		(17,343,694)	49,508,245
Total equity		185,893,904	251,092,646
Non-current liabilities			
Bank loans	15	13,758,032	44,393,495
Derivative financial instruments	16	106,860	2,135,190
Deferred tax liabilities	17	–	2,292,704
Provisions		211,224	205,774
Lease liabilities	19	19,029,264	19,788,069
Other non-current liabilities	18	31,027,577	1,641,066
		64,132,957	70,456,298
Current liabilities			
Bank loans	15	73,710,000	32,625,000
Derivative financial instruments	16	807,717	1,579,596
Trade and other payables	18	193,230,294	85,331,787
Current tax liability		81,906	169,617
Lease liabilities	19	609,802	485,267
		268,439,719	120,191,267
Total liabilities		332,572,676	190,647,565
Total equity and liabilities		518,466,580	441,740,211

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

Statement of profit or loss and other comprehensive income
Year ended 31 March 2022

	Note	2022 US$	2021 US$
Revenue	20	146,518,295	253,063,494
Other income	21	542,587	648,676
Cost of goods purchased and materials consumed		(166,851,535)	(165,309,193)
Changes in inventories of finished goods, work-in-progress and goods-in-transit		(3,532,862)	(3,964,983)
Employee benefits expenses	22	(7,999,325)	(8,050,316)
Logistics and distribution services		(2,838,140)	(5,369,414)
Depreciation and amortisation		(11,986,712)	(12,150,554)
Services and other operating expenses	23	(11,556,005)	(14,070,928)
Total operating expenses		(204,764,579)	(208,915,388)
Finance income		6,171,785	5,539,745
Finance costs		(10,076,054)	5,162,043
Net finance costs	24	(3,904,269)	10,701,788
(Loss)/profit before exceptional items and tax		(61,607,966)	55,498,570
Exceptional items	25	(8,001,550)	(7,988,358)
(Loss)/profit before tax		(69,609,516)	47,510,212
Tax benefit/(expense)	26	3,492,032	(3,180,340)
(Loss)/profit after tax		(66,117,484)	44,329,872
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedge		2,469,056	1,384,494
Other comprehensive income, net of tax		2,469,056	1,384,494
(Loss)/profit for the year, representing total comprehensive income for the year		(63,648,428)	45,714,366

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

Statement of changes in equity
Year ended 31 March 2022

	Note	Share capital US$	Monies pending allotment US$	Retained earnings US$	Hedging reserve US$	Total US$
At 1 April 2020		178,616,656	29,100,000	5,178,373	(4,656,749)	208,238,280
Total comprehensive income for the year						
Profit for the year		–	–	44,329,872	–	44,329,872
Other comprehensive income						
Effective portion of change in fair value of cash flow hedge		–	–	–	1,375,053	1,375,053
Tax on other comprehensive income		–	–	–	9,441	9,441
Total comprehensive income for the year		–	–	44,329,872	1,384,494	45,714,366
Transactions with owner, recognised directly in equity						
Contributions by and distributions to owners						
Refund of monies pending allotment	14	–	(2,860,000)	–	–	(2,860,000)
Total contributions by and distributions to owners		–	(2,860,000)	–	–	(2,860,000)
At 31 March 2021		178,616,656	26,240,000	49,508,245	(3,272,255)	251,092,646

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

Statement of changes in equity (cont'd)
Year ended 31 March 2022

	Note	Share capital US$	Capital reserve US$	Monies pending allotment US$	Retained earnings/ (Accumulated losses) US$	Hedging reserve US$	Total US$
At 1 April 2021		178,616,656	–	26,240,000	49,508,245	(3,272,255)	251,092,646
Total comprehensive income for the year							
Loss for the year		–	–	–	(66,117,484)	–	(66,117,484)
Other comprehensive income							
Effective portion of change in fair value of cash flow hedge		–	–	–	–	2,800,210	2,800,210
Tax on other comprehensive income		–	–	–	–	(331,154)	(331,154)
Total comprehensive (loss)/income for the year		–	–	–	(66,117,484)	2,469,056	(63,648,428)
Transactions with owner, recognised directly in equity							
Contributions by and distributions to owners							
Refund of monies pending allotment	14	–	–	(2,000,000)	–	–	(2,000,000)
Effect of amalgamation	13	–	1,184,141	–	(734,455)	–	449,686
Total contributions by and distributions to owners		–	1,184,141	(2,000,000)	(734,455)	–	(1,550,314)
At 31 March 2022		178,616,656	1,184,141	24,240,000	(17,343,694)	(803,199)	185,893,904

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

Statement of cash flows
Year ended 31 March 2022

	Note	2022 US$	2021 US$
Cash flows from operating activities			
(Loss)/profit before tax		(69,609,516)	47,510,212
Adjustments for:			
Depreciation of plant and equipment		4,855,970	4,844,344
Depreciation of right-of-use assets		964,153	984,647
Amortisation of intangible assets	8	6,166,589	6,321,563
Write down of intellectual property rights		554,750	178,799
Allowance for doubtful debts		140,872	444,716
Write off of plant and equipment		15,617	–
Gain on sale of plant and equipment		(43,334)	(15,908)
Write-off of inventories	11	5,452,799	5,603,187
Bank loan interest expense		4,654,310	4,527,151
Finance cost on lease liabilities	19	1,400,528	1,409,146
Guarantee commission expenses	24	887,283	860,762
Guarantee commission income		(94,277)	–
(Gain)/loss on derivatives contracts	25	(521,306)	1,547,094
Loss/(gain) on revaluation of mutual fund		91,665	(156,701)
Amortisation of loan upfront fee		1,159,356	449,877
Interest income	24	(6,171,785)	(5,539,745)
Other finance charges		236,650	445,883
		(49,859,676)	69,415,027
Changes in:			
- Trade and other receivables		(67,483,855)	(28,957,495)
- Prepayments		490,749	1,238,117
- Inventories		(5,231)	(2,867,777)
- Trade and other payables		139,691,927	(3,387,191)
Cash generated from operations		22,833,914	35,440,681
Tax (paid)/received		(87,711)	158,701
Net cash from operating activities		22,746,203	35,599,382

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

Statement of cash flows (cont'd)
Year ended 31 March 2022

	Note	2022 US$	2021 US$
Cash flows from investing activities			
Purchases of plant and equipment		(2,208,909)	(2,770,140)
Proceeds from sale of plant and equipment		165,121	285,684
Proceeds from sale of intangible assets		–	395,000
Payment of loans to related parties		(20,000,000)	(10,451,025)
Repayment of loan by a subsidiary		595,716	914,221
Repayment of loan by a related party		–	2,262,940
Purchases of intangible assets		(10,753,802)	(13,116,765)
Capital paid into subsidiaries		(1,250,888)	(940,857)
Withdrawal from mutual funds		13,498,724	2,357,190
Interest received		2,412,212	1,984,067
Net cash used in investing activities		(17,541,826)	(19,079,685)
Cash flows from financing activities			
Placement of pledged bank deposits		(172,766)	(37,217)
Refund of share application money		(2,000,000)	(2,860,000)
Proceeds of borrowings from banks	15	28,000,000	–
Repayment of bank loans	15	(17,625,000)	(10,625,000)
Repayment of other finance charges		(1,021,470)	(866,473)
Payment of bank processing fees		(300,000)	–
Payment of guarantee commission	24	(887,283)	(860,762)
Interest paid		(4,311,907)	(4,112,705)
Payment of lease liabilities	19	(2,034,798)	(738,291)
Net cash used in financing activities		(353,224)	(20,100,448)
Net increase/(decrease) in cash and cash equivalents	10	4,851,153	(3,580,751)
Cash and cash equivalents at beginning of financial year		3,108,652	6,689,403
Cash and cash equivalents at end of financial year	10	7,959,805	3,108,652

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 7 November 2022.

1 Domicile and activities

Strides Pharma Global Pte. Limited ('the Company' or 'SPG') is incorporated in the Republic of Singapore. The address of the Company's registered office is 3 Tuas South Avenue 4, Singapore 637610.

The principal activities of the Company is to develop, manufacture and trade in pharmaceutical and ancillary products.

The principal activities of the subsidiaries are disclosed in note 6 to the financial statements.

The immediate holding company is Strides Pharma Asia Pte. Ltd., incorporated in Singapore. The ultimate holding company is Strides Pharma Science Limited, which is incorporated in India, and listed in National Stock Exchange and Bombay Stock Exchange in India.

As the Company meets the exemption criteria in FRS 110 *Consolidated Financial Statements*, it does not need to prepare consolidated financial statements and it only presents the Company's separate financial statements. Consolidated financial statements prepared by the ultimate holding company Strides Pharma Science Limited are available from www.strides.com.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ('FRSs'). The changes to significant accounting policies are described in note 2.6.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Going concern

The Company incurred a net loss of US$63,648,428 for the year ended 31 March 2022 (2021: net profit of US$45,714,366) and as at 31 March 2022, the Company had net current liability of US$734,802 (2021: net current assets of US$20,371,410). Notwithstanding this, the directors consider that it is appropriate for the Company to prepare its financial statements on a going concern basis as the ultimate holding entity, Strides Pharma Science Limited, has agreed to provide financial support as is necessary for the next twelve months from the date of signing of the financial statements to enable the Company to continue its operations and to meet its liabilities as and when they fall due.

2.4 Functional and presentation currency

The financial statements are presented in United States dollars, which is the Company's functional currency. All financial information presented in United States dollars has been rounded to the nearest dollar, unless stated otherwise.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 6 and Note 3.9 – measurement of impairment loss relating to investment in subsidiaries
- Note 8 and Note 3.7 – useful lives of intangible assets and measurement of impairment of intangible assets
- Note 29 and Note 3.9 – measurement of impairment loss relating to financial assets

In the process of applying the Company's accounting policies, management is of the opinion that there is no application of critical judgment which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as described above.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Group Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of FRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 29 – financial instruments.

2.6 Changes in accounting policies

New standards and amendments

The Company has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 April 2021:

- *COVID-19-Related Rent Concessions (Amendments to FRS 116)*
  - *Interest Rate Benchmark Reform – Phase 2 (Amendments to FRS 109, FRS 39, FRS 107, FRS 104 and FRS 116)*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company, except as explained in note 2.6, which addresses changes in accounting policies.

3.1 Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses. On disposal of an investment in subsidiary, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

3.2 Common control transactions

Transfers of interests between entities that are under the control of the Company are accounted for based on book value accounting method. This is on the basis that the entities are part of a larger economic group, and that the figures from that larger group are the relevant ones. In applying book value accounting, the transaction is recognised as a distribution or contribution from a transaction with shareholders. Under this method, for vertical amalgamation of subsidiaries, the Company records the capital of subsidiaries based on the book value of the transferee as at the amalgamation date. Any differences between capital of subsidiaries and the cost of investment in the subsidiaries are being recognised as capital reserve.

3.3 Investments in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Company holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised at cost, which includes transaction costs.

3.4 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ('FVOCI') – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised bank loans and trade and other payables.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when:
- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(vi) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Company designates certain derivatives as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated changes in fair value that were recognised directly in OCI are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When the hedged item is a non-financial item, the amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

(vii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference share capital

The Company's redeemable preference shares are classified as equity. Non-discretionary dividends and redemption in cash by the holders are subject to approval from the Board of Directors of the Company.

(viii) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

Expected credit losses ('ECLs') are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'bank loans'.

3.6 Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment, unless it is included in the carrying amount of another asset. Construction-in-progress is not depreciated until the assets are ready for their intended use.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

- Office equipment — 3 - 5 years
- Computer — 3 years
- Furniture and fixtures — 10 years
- Motor Vehicles — 8 years
- Machinery — 4 - 15 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.7 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The estimated useful lives for the current and comparative years are as follows:

- Intellectual property rights — 5 - 20 years
- Software Licenses — 5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on a weighted average basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

3.9 Impairment

(i) Non-derivative financial assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised costs;
- debt investments measured at FVOCI; and
- intra-group financial guarantee contracts ('FGC').

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

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

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than a reasonable range of past due days, taking into consideration historical payment track record, current macroeconomics situation as well as general industry trend.

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

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

Measurement of ECLs

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

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than a reasonable range of past due days;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

For debt investments at FVOCI, loss allowances are charged to profit or loss and recognised in OCI.

Loss allowances for FGC are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ('CGU') exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised as finance cost.

3.12 Revenue

Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Company satisfies a performance obligation ('PO') by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and for services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Company does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3.13 Lease

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

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Company uses the lessee's incremental borrowing rate as the discount rate.

The Company determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise an extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities on the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.14 Finance income and finance costs

Interest income or expense is recognised on a time proportion basis, using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Bank charges are recognised in profit or loss in the period in which they are incurred.

3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under *FRS 37 Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.16 Government grant

Government grants related to assets are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.17 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 April 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The new FRSs interpretations and amendments to FRSs are not expected to have significant impact on the Company's financial statements.

4 Plant and equipment

	Office equipment US$	Computers US$	Assets under construction US$	Furniture and fixtures US$	Motor vehicles US$	Machinery US$	Leasehold improvements US$	Total US$
Cost								
At 1 April 2020	5,700,375	391,804	1,625,399	1,054,465	239,770	39,128,314	8,132,869	56,272,996
Additions	–	–	2,770,140	–	–	–	–	2,770,140
Transfers	62,519	95,551	(3,898,930)	80,060	–	3,660,800	–	–
Disposals	–	–	–	–	–	(314,245)	–	(314,245)
At 31 March 2021	5,762,894	487,355	496,609	1,134,525	239,770	42,474,869	8,132,869	58,728,891
Additions	–	–	2,199,184	9,725	–	–	–	2,208,909
Transfers	17,670	59,560	(610,913)	59,030	136,019	338,634	–	–
Disposals	–	–	–	–	(239,770)	(118,418)	–	(358,188)
Write off	–	–	–	–	–	(63,614)	–	(63,614)
At 31 March 2022	5,780,564	546,915	2,084,880	1,203,280	136,019	42,631,471	8,132,869	60,515,998
Accumulated depreciation								
At 1 April 2020	1,191,962	198,334	–	114,010	98,782	2,923,787	432,269	4,959,144
Depreciation charge	1,090,203	121,083	–	109,860	29,971	3,062,200	431,027	4,844,344
Disposals	–	–	–	–	–	(44,469)	–	(44,469)
At 31 March 2021	2,282,165	319,417	–	223,870	128,753	5,941,518	863,296	9,759,019
Depreciation charge	972,851	112,993	–	117,770	24,915	3,196,400	431,040	4,855,969
Disposals	–	–	–	–	(147,146)	(89,255)	–	(236,401)
Write off	–	–	–	–	–	(47,997)	–	(47,997)
At 31 March 2022	3,255,016	432,410	–	341,640	6,522	9,000,666	1,294,336	14,330,590
Carrying amounts								
At 1 April 2020	4,508,413	193,470	1,625,399	940,455	140,988	36,204,527	7,700,600	51,313,852
At 31 March 2021	3,480,729	167,938	496,609	910,655	111,017	36,533,351	7,269,573	48,969,872
At 31 March 2022	2,525,548	114,505	2,084,880	861,640	129,497	33,630,805	6,838,533	46,185,408

Assets under construction

Assets under construction mainly consists of costs incurred for construction of new manufacturing and production facilities.

The contracted construction cost with sub-contractors, machinery, direct labour costs, rental charges, related professional fees and interest incurred from financing loan are capitalised as part of the cost of assets under construction.

The following expenses have been capitalised within assets under construction:

	2022 US$	2021 US$
Machinery	1,921,373	2,570,349
IT Equipment/Software	61,842	95,551
Motor vehicles	136,019	–
Others	79,950	104,240
	2,199,184	2,770,140

5 Right-of-use assets

	2022 US$	2021 US$
At 1 April	14,810,749	15,795,396
Depreciation charge for the year	(964,153)	(984,647)
At 31 March	13,846,596	14,810,749

The Company's right-of-use assets relate to leased property.

6 Investments in subsidiaries

	2022 US$	2021 US$
Unquoted equity shares, at cost	76,555,391	77,079,557
Impairment losses	(15,420,305)	(15,420,305)
	61,135,086	61,659,252

Unquoted equity shares, at cost

The movements of unquoted equity shares, at cost are as follows:

	2022 US$	2021 US$
At 1 April	77,079,557	73,798,981
Subscription of additional shares	1,250,888	940,857
Transferred from other investments at FVTPL (see note 12 for details)	–	2,339,719
Amalgamation of subsidiaries	(1,775,054)	–
At 31 March	76,555,391	77,079,557

During the year, the Company assessed indicators of impairment for its subsidiaries and identified indicators of impairment at one subsidiary Strides Pharma (Cyprus) Limited ("SPC") as SPC was in a loss making position for the past few years. In addition the COVID-19 pandemic has brought about challenges in the economic environment. The recoverable amount of the investment in SPC was estimated using value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and long-term growth rate. Management estimates discount rates using weighted average cost of capital adjusted for premiums and discounts, depending on the asset's specific risk compared to the risk of the overall enterprise. A long-term growth rate of 3% was applied based on the expected overall economic growth, industry factors and inflation. This rate does not exceed the average long-term growth rate for the relevant markets.

The Company prepares cash flow forecasts for the next 5 years based on factors such as expected impact on cash flows from sale of new products, market expansion brought by agreement with new distributors and negotiated agreements with suppliers to achieve cost savings.

The rate used to discount the forecast cash flows is 11.92% (2021: 10.83%).

As at 31 March 2022, based on the key assumptions, management has determined a recoverable amount that is US$5,509,138 (2021: US$4,968,729) higher than the cost of investment.

Details of the Company's subsidiaries at 31 March are as follows:

Name of subsidiaries	**Principal activity**	**Country of incorporation**	**Proportion of ownership interest and voting power held**	
			2022	**2021**
			%	**%**
Strides Pharma (Cyprus) Limited	Trading of pharmaceutical products	Cyprus	100	100
Strides Pharma Latina, SA. De C.A (formerly Strides Shasun Latina, SA de CV)	Trading of pharmaceutical products	Mexico	80	80
Arrow Life Sciences (Malaysia) SDN. BHD.	Trading of pharmaceutical products	Malaysia	100	100
Strides Pharma Canada Inc.	Trading of pharmaceutical products	Canada	100	100
Generic Partners UK Ltd	Licensing and supply of pharmaceutical products	United Kingdom	100	100
Strides Nordic ApS	Develop and commercialise pharmaceutical drugs and associated business	Denmark	100	100

Name of subsidiaries	Principal activity	Country of incorporation	Proportion of ownership interest and voting power held 2022 %	2021 %
Strides Netherlands B.V	Wholesale of pharmaceutical products	Netherlands	100	100
Strides Pharma Science Pty Ltd	Intellectual property holding company	Australia	100	100
Fairmed Healthcare AG.	Trading of pharmaceutical products	Switzerland	70	70

7 Investments in associate

	2022 US$	2021 US$
Investments in associate	2,450,000	2,450,000

Details of the Company's associate at 31 March is as follow:

Name of associate	Principal activity	Country of incorporation	Proportion of ownership interest and voting power held 2022 %	2021 %
Sihuan Strides (HK) Limited	Trading of pharmaceutical products	Hong Kong	49	49

8 Intangible assets

	Intellectual property rights US$	Intangible assets under development US$	Software licenses US$	Total US$
Cost				
At 1 April 2020	41,357,834	34,490,557	1,515,643	77,364,034
Additions	1,045,973	12,070,792	–	13,116,765
Transfers	14,884,893	(14,974,275)	89,382	–
Write off	–	(178,799)	–	(178,799)
Disposals	–	(395,000)	–	(395,000)
At 31 March 2021	57,288,700	31,013,275	1,605,025	89,907,000
Additions	4,202,188	6,551,614	–	10,753,802
Transfers	3,097,395	(3,118,933)	21,538	–
Write off	–	(554,750)	–	(554,750)
At 31 March 2022	64,588,283	33,891,206	1,626,563	100,106,052

	Intellectual property rights US$	Intangible assets under development US$	Software licenses US$	Total US$
Accumulated amortisation				
At 1 April 2020	10,759,122	–	64,519	10,823,641
Amortisation	6,005,010	–	316,553	6,321,563
At 31 March 2021	16,764,132	–	381,072	17,145,204
Amortisation	5,844,923	–	321,666	6,166,589
At 31 March 2022	22,609,055	–	702,738	23,311,793
Carrying amounts				
At 1 April 2020	30,598,712	34,490,557	1,451,124	66,540,393
At 31 March 2021	40,524,568	31,013,275	1,223,953	72,761,796
At 31 March 2022	41,979,228	33,891,206	923,825	76,794,259

Write off

Management has written off intangible assets which do not have sufficient commercial prospects that the Company would expect to be able to recover the carrying amount from future sales relating to these assets.

Amortisation

The intangible assets relates to dossiers, sale, marketing and distribution rights of certain pharmaceutical products, and have finite useful lives of 5 to 20 years, over which the assets are amortised.

As at 31 March 2022, the Company is in the process of obtaining regulatory approval for the sale of the pharmaceutical products for which the intangible assets under development relates to. Accordingly, no amortisation expense has been charged in 2022 and 2021 as the intangible assets under development are not ready for their intended use.

9 Trade and other receivables

	2022 US$	2021 US$
Non-current		
Loan to a subsidiary	4,818,730	5,359,439
Loan to other related party	43,958,218	21,959,901
Deferred consideration	–	71,982,173
Other receivables	535,192	350,745
	49,312,140	99,652,258
Current		
Trade receivables	40,051,982	21,233,004
Amounts due from ultimate holding company (trade)	1,389,069	651,587
Amounts due from immediate holding company (non-trade)	2,185,453	1,006,874
Amounts due from subsidiaries (trade)	713,529	160,330
Amounts due from subsidiaries (non-trade)	1,942,943	4,414,654
Amounts due from other related parties (trade)	124,972,947	79,951,522
Amounts due from other related parties (non-trade)	6,223,629	3,406,833
Deferred consideration	74,949,781	–
Other receivables	1,499,990	2,161,833
	253,929,323	112,986,637
	303,241,463	212,638,895

Non-trade amounts due from immediate holding company, subsidiaries and other related parties

The non-trade amounts due from immediate holding company, subsidiaries and other related parties are unsecured, interest free and repayable on demand.

Loans to subsidiaries

As at 31 March 2022, loans to subsidiaries comprise a loan to Strides Pharma (Cyprus) Limited of US$nil (2021: US$595,716) and Fairmed Healthcare AG of US$4,964,615 (2021: US$ 4,763,723).

The loan to Strides Pharma (Cyprus) Limited ("SPC") is unsecured, bears interest at 600 basis points per annum and is repayable on demand. During the year, SPC has fully repaid the loan.

The loan to Fairmed Healthcare AG is unsecured, bears interest ranging from 600 to 760 basis points per annum and is repayable on demand. The loan is not expected to be settled within the next 12 months.

Loans to other related parties

As at 31 March 2022, loans to other related parties comprise a loan to Strides Arcolab International Ltd of US$43,958,218 (2021: US$21,959,901).

The loan to Strides Arcolab International Ltd is unsecured, bears interest at 650 basis points per annum with final maturity on 20 December 2025. The loan is not expected to be settled within the next 12 months.

Deferred consideration

The deferred consideration pertains to a component of the sales proceeds from the disposal of Australia business that is receivable in December 2022.

10 Cash and cash equivalents

	2022 US$	2021 US$
Non-current		
Deposits pledged	170,000	873,607
Current		
Cash at bank	7,953,535	3,102,034
Deposits pledged	1,555,940	679,567
Cash on hand	6,270	6,618
	9,515,745	3,788,219
Cash and cash equivalents	9,685,745	4,661,826
Less: Pledged bank deposits	(1,725,940)	(1,553,174)
Cash and bank balances in the statement of cash flows	7,959,805	3,108,652

The Company's deposits pledged earn interest ranging from 0.4% to 1.0% (2021: 0.4% to 1.0%) per annum and for terms ranging less than twelve months to one year.

The deposits pledged are for the bank loans (note 15) undertaken by the Company.

11 Inventories

	2022 US$	2021 US$
Finished goods	1,765,033	4,283,980
Goods-in-transit	–	161,761
Work-in-progress	58,462	910,616
Raw materials	948,646	2,848,012
Others	122,991	138,331
	2,895,132	8,342,700

During the year, inventories written off amounted to US$5,452,799 (2021: US$5,603,187), which comprises withdrawal of products from the market worth US$5,711,195 (2021: US$5,031,769) (see note 25 for details) and scrapping income of US$258,396 (2021: US$ 571,418).

12 Other investments at FVTPL

	2022 US$	2021 US$
Investment in mutual funds	–	13,590,389

Investment in mutual funds

Investment in mutual funds comprise an investment made in Easterngate Soaring Dragon 2 SP on 29 March 2019. As at 31 March 2022, this investment of 133,570 units was fully sold. The investment bore variable interest of 3 month LIBOR plus 365 basis points per annum.

Movements in investment in mutual funds during the year are as follows:

	2022 US$	2021 US$
At 1 April	13,590,389	15,790,878
Redeemed during the year	(13,498,724)	(2,357,190)
Fair value adjustment	(91,665)	156,701
At 31 March	–	13,590,389

13 Share capital and other reserves

	2022 Number of ordinary shares	2022 US$	2021 Number of ordinary shares	2021 US$
Fully paid ordinary shares, with no par value:				
At 1 April and 31 March	500,000	394,500	500,000	394,500
Redeemable preference shares				
At 1 April and 31 March	228,933	178,222,156	228,933	178,222,156
		178,616,656		178,616,656

All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares.

Fully paid ordinary shares, with no par value

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Redeemable preference shares

The redeemable preference shares (RPS) carries non-cumulative dividends at an annual rate of 12% of the issue price per share in preference to the ordinary shares, payable out of the distributable profits of the financial year, subject to approval by the ordinary shareholders at a general meeting. The RPS do not carry voting rights, except in certain circumstances where:

- any such period as the preferential dividend or any part thereof remains in arrear and unpaid, such period starting from a date not more than 12 months, or such lesser period as the article may provide, after the due date of the dividend;
- upon any resolution which varies the rights attached to the RPS; or
- upon any resolution of winding of the Company.

Subject to the terms set out in the Company's Articles of Association, the RPS may be redeemed at issue price at the option of either the Company or the holder of the RPS, subject to approval from the Board of Directors of the Company.

Capital reserve

The capital reserves comprise the following items:

	2022 US$	2021 US$
Amalgamation of wholly owned subsidiaries	1,184,141	–

The capital reserve results from amalgamation of three wholly owned subsidiaries into the company in FY22.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

Capital management

The capital structure of the Company consists of issued capital, monies pending allotment and retained earnings.

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

14 Monies pending allotment

In 2022, the Company refunded US$2,000,000 (2021: US$2,860,000) to its immediate holding company out of the monies pending allotment as at 31 March 2021.

15 Bank loans

	2022 US$	2021 US$
Bank loans	87,710,000	77,335,000
Less: Upfront fees	(241,968)	(316,505)
	87,468,032	77,018,495
Less: Amount due for settlement within 12 months (shown under current liabilities)*	(73,710,000)	(32,625,000)
Amount due for settlement after 12 months	13,758,032	44,393,495

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

				2022 (in '000)		2021 (in '000)	
	Currency	Nominal interest rate %	Year of maturity	Face value US$	Carrying amount US$	Face value US$	Carrying amount US$
Term loans – Short Term	US$	3M Libor + 250 bps p.a. and 3M Libor + 200bps	2023	25,000	25,000	17,000	17,000
Facility Foreign Currency Term Loan	US$	6M Libor + 230 bps p.a. and 6M Libor + 300 bps p.a.	2023 - 2027	44,710	44,710	60,335	60,335
Working Capital Term Loan	US$	3M Libor + 300 bps p.a.	2027	18,000	18,000	–	–
				87,710	87,710	77,335	77,335

* The bank loans are subject to compliance with certain financial covenants by the Company on a standalone and consolidated basis and by its ultimate holding company on a consolidated basis. The directors identified certain financial covenants were breached in total term loans of value (US$87,710,000) as at 31 March 2022, and the Company obtained relevant exemptions from the banks.

- ✓ By 31 March 2022 the Company had obtained loan covenants waivers for IndusInd Bank Short Term Loan (US$25,000,000) and RBL Working Capital Term Loan (US$18,000,000). The RBL Working Capital Term Loan comprises current portion of (US$4,000,000) and non-current portion (US$14,000,000).
- ✓ However, the loan covenant waiver for Yes Bank Term Loan (US$44,710,000) was obtained subsequent to the period end, in May 2022. The Yes Foreign Currency Term Loan comprises current portion of (US$14,710,000) and non-current portion (US$30,000,000). Accordingly, the Company has classified the outstanding loan due to Yes Bank of (US$30,000,000) as current in the balance sheet as at 31 March 2022.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2022 US$	2021 US$
Beginning of financial year	77,018,495	87,614,208
Changes from financing cash flows		
- Proceeds of borrowings from banks	28,000,000	–
- Repayment of bank loans	(17,625,000)	(10,625,000)
- Processing fee paid	(300,000)	–
Total changes from financing cash flows	10,075,000	(10,625,000)
Non-cash changes		
- Amortisation of loan upfront fees	374,537	29,287
End of financial year	87,468,032	77,018,495

In 2018, the Company obtained a loan facility of US$45 Million (US$20 Million short term loan towards cash flow mismatch and US$25 Million term loan towards capital expenditure incurred in past and future) which was fully drawn down in 2019. The loan bears a variable interest rate at 6 month LIBOR plus 300 basis points per annum. In 2020, the Company repaid the short term while the term loan is repayable in 16 quarterly structured instalments starting 15 months after the date of first disbursement, i.e. on 14 February 2019. As at 31 March 2022, the outstanding loan is US$7.21 Million (2021: US$15.34 Million) and the outstanding term is 3 instalments. The loan is secured with first *pari passu* charge on all current assets and fixed assets including intangibles of the Company.

In 2019, the Company obtained a term loan facility of US$100 Million which was fully drawn down in that year. The loan bears a variable interest rate at 6 month LIBOR plus 230 basis points per annum. In 2020, the Company repaid US$50 Million and the balance loan of US$50 Million is repayable in 12 half yearly structured instalments starting 30 months after the date of first disbursement, with first instalment due on 3 July 2020. The last instalment is due on 4 July 2026. As at 31 March 2022, the outstanding loan is US$37.5 Million (2021: US$45 Million) and the outstanding term is 8 instalments. The loan is secured with first *pari passu* charge on all current assets and fixed assets including intangibles of the Company and its immediate holding company. The loan is also secured with first *pari passu* charge on fixed assets including intangibles and second *pari passu* charge on current assets of the ultimate holding company.

In 2020, the Company obtained a short term loan facility of US$17 Million for working capital requirements. The loan bears a variable interest rate at 3 month LIBOR plus 250 (2021: 250) basis points per annum. The Company has fully drawn down the short term loan in 2020. In 2021 and 2022, the Company renewed the short term loan for a further period of 9 months (2021: 12 months). As at 31 March 2022, the outstanding loan is US$17 Million (2021: US$17 Million). The loan is secured with first *pari passu* charge on all current assets and fixed assets including intangibles of the Company present and future.

In 2022, the Company obtained a short term loan facility of US$8 Million for working capital requirements. The loan bears a variable interest rate at 3 month LIBOR plus 200 basis points per annum. The Company has fully drawn down the short term loan in 2022. As at 31 March 2022, the outstanding loan is US$8 Million (2021: Nil). The loan is secured with first *pari passu* charge on all current assets and fixed assets including intangibles of the Company present and future.

In 2022, the Company obtained a working capital term loan of US$20 Million which was fully drawn down in 2022. The loan bears a variable interest rate at 3 month LIBOR plus 300 basis points per annum. The loan is repayable in 20 quarterly instalments with first instalment due on 29 December 2021. The last instalment is due on 29 September 2026. As at 31 March 2022, the outstanding loan is US$18 Million and the outstanding term is 18 instalments. The loan is secured with first *pari passu* charge on all current assets and fixed assets including intangibles of the Company and its immediate holding company.

During the financial year 2022, upfront fees relating to bank loans amounted to US$241,968 (2021: US$316,505).

The Company's bank loans are secured over certain bank deposits of the Company (see note 10 for details) and guaranteed by the ultimate holding company and the immediate holding company.

16 Derivative financial instruments

	Assets US$	Liabilities US$
31 March 2022		
Non-current		
Cash flow hedge		
- Interest rate swaps	–	106,860
Current		
Cash flow hedge		
- Interest rate swaps	–	807,717
	–	914,577
31 March 2021		
Non-current		
Cash flow hedge		
- Interest rate swaps	–	2,135,190
Current		
Cash flow hedge		
- Interest rate swaps	–	1,579,596
	–	3,714,786

Outstanding derivative financial instruments amounting to US$914,577 (2021: US$3,714,786) comprise interest rate swaps to hedge floating interest rate borrowings with final repayment dates between November 2022 and January 2026.

17 Deferred tax (liabilities)/assets

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2022	2021	2022	2021
	US$	US$	US$	US$
Plant and equipment	–	–	(2,228,771)	(2,325,673)
Intangible assets other than goodwill	–	–	(932,504)	(682,691)
Lease liability	289,623	273,129		–
Tax losses	3,628,449	–	–	–
Derivative financial instruments	111,377	442,531	–	–
Deferred tax assets/(liabilities)	4,029,449	715,660	(3,161,275)	(3,008,364)
Set off of tax	(3,161,275)	(715,660)	3,161,275	715,660
Net deferred tax assets/(liabilities)	868,174	–	–	(2,292,704)

Movements in temporary differences during the year are as follows:

	At 1 April 2020 US$	Recognised in profit or loss (Note 26) US$	Recognised in other comprehensive income US$	At 31 March 2021 US$	Recognised in profit or loss (Note 26) US$	Recognised in other comprehensive income US$	At 31 March 2022 US$
Plant and equipment	(671,430)	(1,654,243)	–	(2,325,673)	96,902	–	(2,228,771)
Intangible assets other than goodwill	(373,772)	(308,919)	–	(682,691)	(249,813)	–	(932,504)
Lease liability	239,207	33,922	–	273,129	16,494	–	289,623
Tax losses	1,047,242	(1,047,242)	–	–	3,628,449	–	3,628,449
Derivative financial instruments	433,090	–	9,441	442,531	–	(331,154)	111,377
	674,337	(2,976,482)	9,441	(2,292,704)	3,492,032	(331,154)	868,174

18 Trade and other payables

	2022 US$	2021 US$
Non-current		
Amount due to other related parties (non-trade)	30,000,000	–
Other non-current liabilities	1,027,577	1,641,066
	31,027,577	1,641,066
Current		
Trade payables	2,896,394	3,046,962
Amount due to ultimate holding company (trade)	116,075,188	58,417,027
Amount due to ultimate holding company (non-trade)	3,501,439	5,494,872
Amount due to subsidiaries (trade)	181,894	–
Amount due to subsidiaries (non-trade)	1,268,023	2,910,406
Amount due to other related parties (trade)	10,927,438	7,566,536
Amount due to other related parties (non-trade)	51,619,221	1,811,644
Other payables	1,986,961	1,701,561
Accruals	4,676,819	4,255,883
Advances from customers	96,917	126,896
	193,230,294	85,331,787

The non-trade amounts due to ultimate holding company and subsidiaries are unsecured, interest free and repayable on demand.

The non-trade amounts due to other related parties includes a total of US$80,000,000 payable to Strides Pharma Inc. which is unsecured and interest free. During the financial year 2022 the Company entered into a deferred credit agreement with Strides Pharma Inc. in respect of payables arising from credit notes issued to Strides Pharma Inc., which were due to discounts provided by Strides Pharma Inc. to customers in the USA.

19 Lease

Leases as lessee

The Company leases a property. The lease runs for a period of 25 years, with an option to renew the lease after that date. Lease payments are renegotiated before the renewal of the leases to reflect market rentals. The Company is restricted from entering into any sub-lease arrangements.

The Company leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

Right-of-use assets and its movements during the year related to leased property are presented as right-of-use assets (see note 5).

The company's right-of-use asset relates to leased property.

Reconciliation of movements of lease liabilities to cash flows arising from financing activities

	Finance lease liabilities 2022 US$	Finance lease liabilities 2021 US$
At 1 April	20,273,336	19,602,481
Changes from financing cash flows:		
Payment of finance lease liability	(2,034,798)	(738,291)
Changes from operating cash flows:		
Finance cost on lease liabilities	1,400,528	1,409,146
Total changes	(634,270)	670,855
At 31 March	19,639,066	20,273,336

Amounts recognised in profit or loss

	2022 US$	2021 US$
Leases under FRS 116		
Interest on lease liabilities	1,400,528	1,409,146
Expenses relating to short-term leases	104,486	55,963

Amounts recognised in statement of cash flows

	2022 US$	2021 US$
Total cash outflow for leases	2,034,798	738,291

20 Revenue

	2022 US$	2021 US$
Sale of goods, gross	227,180,351	293,534,830
Credit notes related to market price changes	(80,662,056)	(40,471,336)
Sale of goods, net	146,518,295	253,063,494

Sale of goods

Nature of goods	The Company develops, manufactures and sells pharmaceutical and ancillary products to distributors.
When revenue is recognised	Revenue is recognised when goods are delivered to the customers and all criteria for acceptance have been satisfied.
Significant payment terms	Invoices issued upon delivery of goods are due within 30 to 180 days.
Obligations for returns and refunds, if any	The company sells its products to the customers with a right to return the goods within the specified period of time. If the probability of acceptance by the customer is uncertain, recognition of revenue is deferred till the expiry of right to return or acceptance by the customer, whichever is earlier.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets.

	2022 US$	2021 US$
Primary geographical markets		
Africa	141,297	530,713
Australia	36,687,702	26,632,167
Asia	25,374,587	6,715,657
North America	64,198,696	195,147,545
Europe	19,783,858	23,150,492
Others	332,155	886,920
	146,518,295	253,063,494

21 Other income

	2022 US$	2021 US$
Support service income	305,592	373,514
Guarantee commission income	94,277	–
Gain on sale of plant and equipment	43,334	19,413
(Loss)/gain on fair valuation of mutual fund	(91,665)	156,701
Other operational income	191,049	99,048
	542,587	648,676

22 Employee benefits expenses

	2022 US$	2021 US$
Staff costs	7,294,040	7,460,438
Contributions to defined contribution plans	705,285	589,878
	7,999,325	8,050,316

23 Services and other operating expenses

	2022 US$	2021 US$
Power, fuel and water	1,230,458	881,364
Expenses relating to short-term leases	104,486	55,963
Repair and maintenance-buildings	115,171	77,072
Repair and maintenance-machinery	1,250,535	1,109,431
Repair and maintenance-others	492,330	492,507
Insurance	247,698	211,245
Rates and taxes	605,702	633,647
Communication charges	74,976	59,135
Travelling and conveyance	58,654	178,596
Printing and stationery	40,288	45,429
Sales commission	29,658	27,692
Royalty expenses	258,996	182,259
Support service fees	426,410	406,270
Legal and professional	2,178,441	938,090
Audit fees	76,254	109,134
Regulatory fees	1,749,122	1,812,371
Failure to supply	24,644	3,049,617
Allowance for bad debts, net of reversal and write-off	140,872	444,716
Write down of intellectual property rights	554,750	178,799
Write off of plant and equipment	15,617	2,060
Consumables	1,107,921	609,528
Research and development expenses	61,564	1,775,947
Subcontracting charges	467,375	479,121
Business promotion	2,028	100,000
Donations	7,416	4,526
Carriage, freight and forwarding	12,529	4,501
Others	222,110	201,908
	11,556,005	14,070,928

24 Net finance costs

	2022 US$	2021 US$
Finance income		
Interest income on loans to subsidiaries	272,818	254,299
Interest income on loans to related parties	1,998,317	1,096,831
Interest income on promissory notes – deferred consideration from sale of Australia business	3,759,573	3,555,678
Interest income on investment at FVTPL	128,734	607,492
Bank interest income	12,343	25,445
	6,171,785	5,539,745
Finance costs		
Interest expenses on bank loans	4,654,310	4,527,151
Guarantee commission	887,283	860,762
Amortisation of loan upfront fee	1,159,356	449,877
Interest on lease liabilities	1,400,528	1,409,146
Bank charges	3,374	3,740
Others	233,277	442,143
Intercompany foreign currency exchange gain/(loss), net	359,971	(621,126)
Other foreign currency exchange gain/(loss), net	1,377,955	(12,233,736)
	10,076,054	(5,162,043)

25 Exceptional items

	Note	2022 US$	2021 US$
Withdrawal of products	(a)	6,758,045	6,441,264
Mothballing production expenses	(b)	1,754,049	–
(Gain)/loss on derivatives contracts - Fairmed		(521,306)	1,547,094
Others		10,762	–
		8,001,550	7,988,358

(a) US$6,452,799 of expenses in the year related to disposal of Losartan inventory (2021: US$6,441,264 of expenses related to disposal of Ranitidine inventory). During financial year 2022, the USFDA issued a letter to the Company to test for the presence of Azide (API process) impurity(s) in Losartan and the results confirmed the presence of such impurity(s) in the batches tested. As a result, the Company proposed to initiate a voluntary recall of specific batches of Losartan which had the Azide impurity(s). Expenses related to the costs of recall and provision for Losartan inventory with Azide impurity(s) amounted to US$5,452,799 in financial year 2022. The Company has estimated the impact of the aforesaid recall and recorded a sales return provision amounting to US$1,000,000 for potential refunds on return of the product.

The remaining US$305,246 pertains to consumption scrapping during the financial year 2022.

(b) As part of immediate cost improvement measures and capacity optimisation at a manufacturing location the company incurred one time severance expenses amounting to US$1,754,049.

26 Tax (benefit)/expense

	2022 US$	2021 US$
Current tax expense		
Current year	–	169,616
Under provision in prior years	–	34,242
	–	203,858
Deferred tax expense		
Origination and reversal of temporary differences	(3,492,032)	2,976,482
Total tax (benefit)/expense	(3,492,032)	3,180,340

Reconciliation of effective tax rate

	2022 US$	2021 US$
(Loss)/profit before tax	(69,609,516)	47,510,212
Tax calculated using Singapore tax rate of 17% (2021: 17%)	(11,833,618)	8,076,736
Non-deductible expenses	–	1,042,025
Tax-exempt income	(644,731)	(2,425,594)
Effect of applying 5% tax rate to certain income under the Development and Expansion Incentive Scheme	8,799,464	(3,781,739)
Recognition of tax effect of previously unrecognised tax losses	–	(812,432)
Under provision in prior years	–	34,242
Others	186,853	1,047,102
	(3,492,032)	3,180,340

The Economic Development Board ("EDB") granted the Company a Development and Expansion Incentive ("DEI") for qualifying activities subject to fulfilment of certain conditions, for a period of fifteen years commencing 1 July 2014. Under the DEI status, incremental income earned over the average income base from qualifying DEI activities is taxed at a concessionary tax rate of 5% for the first two tranches of five years each and 5.5% for the 3rd tranche of five years.

The Company is currently in Tranche II of the DEI. The Company has fulfilled the conditions as at March 2022. However, business disruptions as a result of COVID19 have made it extremely difficult for SPG to fulfill the additional/applicable conditions for the remaining period under Tranche I/ Tranche II as prescribed by the EDB. As at March 2022, the Company is in discussion with EDB for the continuation of the incentive scheme.

27 Related parties transactions

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The directors of the Company are considered as key management personnel of the Company.

Key management personnel compensation comprised:

	2022 US$	2021 US$
Short-term benefits	940,892	1,053,661
Post-employment benefits	24,266	24,270

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	2022 US$	2021 US$
Ultimate holding company		
Sales of goods	737,482	1,051,710
Sale of plant and equipment	29,163	285,684
Rental income from operating lease	203,409	160,521
Support service fees	(206,410)	(160,222)
Guarantee commission expense	(887,283)	(860,762)
Purchases of inventories	(151,595,615)	(135,957,205)
Purchases of plant & equipment	–	(65,787)
Purchases of intangible assets	(7,150,802)	(5,054,269)
Freight charges	(2,363,624)	(1,969,009)
Travel expenses	–	(144,513)
Bio study cost	(314,823)	–
Reimbursement of various operating expenses on behalf of the ultimate holding company	179,614	–

Subsidiaries		
Sale of goods	736,106	283,180
Guarantee commission income	94,277	–
Support service income	169,773	170,208
EU testing expenses	(182,997)	–
Reimbursement of EU testing expenses incurred on behalf of the subsidiaries	20,569	–
Marketing expenses	–	(16,492)

	2022 US$	2021 US$
Other related parties		
Sales of goods	46,714,087	173,411,512
Purchase of inventories	(16,047,951)	(23,289,818)
Support service fees	(220,000)	(253,147)
Support service income	135,819	136,167
Products withdrawal expenses	(1,000,000)	(1,367,000)
Failure to supply expenses	–	(2,947,278)
Regulatory fees	–	(38,495)
Freight charges	(40,131)	(530,609)
New product development expenses	–	(10,273)
Reimbursement various operating expenses on behalf of other related parties	1,337	183,189

28 Commitments

Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	2022 US$	2021 US$
Capital commitments in respect of plant and equipment	–	1,919,388

Capital commitments pertain to the purchases with the suppliers that the Company has committed to spend in the near future arising from the construction of manufacturing and production facilities.

29 Financial instruments

Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Company does not have a formal risk management policies and guidelines. However, the Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities.

The carrying amount of financial assets in the statement of financial position represents the Company's maximum exposure to credit risk, before taking into account any collateral held. The Company does not hold any collateral in respect of its financial assets.

Trade and other receivables

Risk management policy

The Company has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash is placed with banks and financial institutions which are regulated.

At the end of the reporting period, there were non-trade amounts due from the immediate holding company, subsidiaries and other related parties amounting to US$2,185,453 (2021: US$1,006,874), US$1,942,943 (2021: US$4,414,654) and US$6,223,629 (2021: US$3,406,833) as well as loans to subsidiaries and other related party amounting to US$4,818,730 (2021: US$5,359,439) and US$43,958,218 (2021: US$21,959,901) respectively. The directors are of the opinion that these counterparties are not expected to have a significant risk of loss due to their good credit records.

Impairment losses

Trade receivables that are neither past due nor impaired are substantially companies with good collection track records with the Company.

A summary of the Company's exposure to credit risk for trade receivables is as follows:

Receivables measured at lifetime ECL Trade receivables	**2022 Credit impaired US$**	**2022 Not credit impaired US$**	**2021 Credit impaired US$**	**2021 Not credit impaired US$**
Not past due	–	113,915,367	–	97,172,572
Past due within 3 months	–	32,729,187	–	3,766,240
Past due 3 to 6 months	–	17,916,806	–	395,954
Past due over 6 months	–	2,640,092	–	735,602
	–	167,201,452	–	102,070,368
Loss allowance	–	(73,925)	–	(73,925)
	–	167,127,527	–	101,996,443

The carrying amount of the Company's top 5 (2021: 5) customers comprises 93% (2021: 92%) of the total trade receivables balance as at 31 March 2022.

Expected credit loss assessment

The Company uses an allowance matrix to measure the ECLs of trade receivables from certain customers where there is no credit ratings (or equivalent) available and the Company believes the credit ratings may not be reflective of the expected risk of default for these customers.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the age of customer relationship.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 March 2022:

	Weighted average loss rate %	**Gross carrying amount US$**	**Impairment loss allowance US$**	**Credit Impaired**
2022				
Not past due	–	113,915,368	–	No
1 – 30 days	–	4,977,756	–	No
31 – 90 days	–	27,751,430	–	No
91 – 180 days	–	17,916,806	–	No
181 – 365 days	–	1,695,576	–	No
>365 days	7.83	944,516	73,925	No
		167,201,452	73,925	
2021				
Not past due	–	97,172,572	–	No
1 – 30 days	–	3,070,874	–	No
31 – 90 days	–	695,366	–	No
91 – 180 days	–	395,954	–	No
181 – 365 days	–	478,506	–	No
>365 days	28.75	257,096	73,925	No
		102,070,368	73,925	

Loss rates are based on actual credit loss experience over prior years adjusted for current conditions and the Company's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss. As of 2022, no scalar factors has been applied.

Movements in allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	Lifetime ECL US$
At 1 April 2020 and 31 March 2021	73,925
Reversal of impairment loss	–
Amount written off during the year	–
At 31 March 2022	73,925

There were no significant changes in the gross carrying amounts of trade receivables contributing to the changes in the impairment loss allowance during 2022.

Cash and cash equivalents

The Company held cash and cash equivalents of US$9,685,745 at 31 March 2022 (2021: US$4,661,826) – these figures represent their maximum credit exposures on these assets. The cash and cash equivalents are held with bank and financial institution counterparties which are regulated.

Liquidity risk

The Company regularly monitors current and expected liquidity requirements to maintain sufficient cash and cash equivalents, internally generated cash flows and financing from banks in order to finance its activities.

The ultimate holding entity has also provided an undertaking to continue to provide the Company with financial and other support as is necessary for the next twelve months to enable the Company to continue operations and to meet its liabilities as and when they fall due.

All financial assets and liabilities are repayable on demand or due within one year from the end of the reporting period, except for loans due from subsidiaries amounting to US$4,818,730 (2021: US$5,359,439), loan due from a related party amounting to US$43,958,218 (2021: US$21,959,901), deferred consideration amounting to US$ nil (2021: US$71,982,173), other receivables amounting to US$535,192 (2021: US$350,745), a pledged bank deposit amounting to US$170,000 (2021: US$873,607), and bank loans amounting to US$13,758,032 (2021: US$44,393,495) as disclosed in notes 9, 10 and 15 respectively.

The Company has no contractual commitments with contracts to purchase plant and equipment (note 28).

At the end of the reporting period, the contractual cash flows of the Company's current financial liabilities approximate their carrying values and they are expected to be settled within the next twelve months.

The following are the contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting arrangements:

	Carrying amount US$	Contractual cash flows US$	Within 1 year US$	2 -5 years US$	After 5 year US$
2022					
Non-derivative financial liabilities					
Bank loans and trade and other payables*	311,628,987	(311,870,954)	(237,870,954)	(74,000,000)	–
Lease liabilities	19,639,066	(33,042,973)	(1,965,269)	(8,061,039)	(23,016,665)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	914,577	(914,577)	(807,717)	(106,860)	–
2021					
Non-derivative financial liabilities					
Bank loans and trade and other payables*	163,864,452	(164,180,957)	(117,829,891)	(46,351,066)	–
Lease liabilities	20,273,336	(35,182,526)	(1,889,164)	(5,943,945)	(27,349,417)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	3,714,786	(3,714,786)	(1,579,596)	(2,135,190)	–

* *Excludes advances from customers.*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Risk management policy

The Company is exposed to transactional foreign currency on cash and cash equivalents, trade and other receivables and trade and other payables that are denominated in a currency other than United States dollar ("US$"). The Company monitors its net exposure to these foreign currencies to ensure it remains insignificant.

Exposure to currency risk

The Company's exposures to foreign currency at the end of the reporting period are as follows:

	2022			2021		
	Assets US$	Liabilities US$	Net US$	Assets US$	Liabilities US$	Net US$
Australia dollar	90,670,710	(37,171,732)	53,498,978	81,884,144	(13,828,332)	68,055,812
Euro	7,703,649	(7,730,367)	(26,718)	7,886,559	(4,519,752)	3,366,807
Singapore dollar	1,104,983	(21,268,921)	(20,163,938)	1,290,247	(22,984,483)	(21,694,236)
Canadian dollar	473,128	(2,010,447)	(1,537,319)	1,520,589	(971,486)	549,103
Sterling pound	68,837	(393,911)	(325,074)	–	(517,982)	(517,982)
Malaysian ringgit	12,075	–	12,075	12,238	(7,417)	4,821
Vietnam dong	791	–	791	794	–	794
South Africa Rand	–	–	–	–	(3,321)	(3,321)

Sensitivity analysis

A 1% strengthening/(weakening) of United States dollar against the following currencies at the reporting date would have increased/(decreased) equity and profit or loss before income tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit/(Loss)	
	2022 US$	2021 US$
Australia dollar	(534,990)	(680,558)
Euro	267	(33,668)
Singapore dollar	201,639	216,942
Canadian dollar	15,373	(5,491)
Sterling pound	3,251	5,180
Malaysian ringgit	(121)	(48)
Vietnam dong	(8)	(8)
South Africa Rand	–	33
	(314,589)	(497,618)

Interest rate risk

Risk management policy

The Company is exposed to interest rate risk on the borrowings made by the Company at variable interest rates. The Company limits the exposure to interest rate fluctuations by entering into interest rate swap contracts.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Company assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the interest-bearing financial instruments, as reported to the management, was as follows:

	Nominal amount 2022 US$	2021 US$
Fixed rate instruments		
Financial assets	45,720,440	25,746,574
Financial liabilities	(43,210,000)	(57,210,000)
	2,510,440	(31,463,426)
Variable rate instruments		
Financial liabilities	(44,500,000)	(20,125,000)
	(44,500,000)	(20,125,000)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss 50 bp increase US$	50 bp decrease US$
31 March 2022		
Variable rate instruments	(228,602)	228,602
31 March 2021		
Variable rate instruments	(100,625)	100,625

Hedge accounting

Cash flow hedges

At 31 March 2022, the Company held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Maturity Less than one year	1 to 5 years	More than five years
2022			
Interest rate risk			
Interest rate swaps			
Net exposure (in US$)	13,210,000	30,000,000	–
Average fixed interest rate (in %)	3.50	3.50	–
2021			
Interest rate risk			
Interest rate swaps			
Net exposure (in US$)	14,000,000	43,210,000	–
Average fixed interest rate (in %)	5.62	5.62	–

The amounts at the reporting date relating to items designated as hedged items were as follows.

	Change in value used for calculating hedge ineffectiveness US$	Cash flow hedge reserve US$
31 March 2022		
Interest rate risk		
Variable rate instruments	(914,577)	(803,200)
31 March 2021		
Interest rate risk		
Variable rate instruments	(3,714,786)	(3,272,255)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

	2022				2021			
	Nominal amount US$	**Carrying amount – assets US$**	**Carrying amount – liabilities US$**	**Line item in the statement of financial position where the hedging instrument is included**	**Nominal amount US$**	**Carrying amount – assets US$**	**Carrying amount – liabilities US$**	**Line item in the statement of financial position where the hedging instrument is included**
Interest rate risk								
Interest rate swaps	43,210,000	–	914,577		57,210,000	–	3,714,786	

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	Hedging reserve US$
Balance at 1 April 2020	(4,656,749)
Cash flow hedges	
Change in fair value:	
Interest rate risk	1,375,053
Tax on movements on reserves during the year	9,441
Balance at 31 March 2021	(3,272,255)
Balance at 1 April 2021	(3,272,255)
Cash flow hedges	
Change in fair value:	
Interest rate risk	2,800,210
Tax on movements on reserves during the year	(331,154)
Balance at 31 March 2022	(803,199)

Classifications and fair values of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in note 3 describe how the classes of financial instruments are measured, including fair value gains and losses, are recognised.

The categorisations of financial assets that are measured at FVOCI/FVTPL in the fair value hierarchy are as follows:

- Interest rate swaps are categorised as level 2 with its fair value measured using the swap model. The fair value is calculated as the present value of the estimated future cash flows discounted using a yield curve from similar sources which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps; and
- Investment in mutual funds and convertible notes are categorised as level 2 with its fair value measured by comparing to current or recent quoted prices for identical securities in markets that are not active.

The classifications of financial assets that are not measured at fair value and have carrying amounts which are a reasonable approximation of fair value, are as follows:

- Trade and other receivables and cash and cash equivalents are classified as financial assets at amortised cost.

All financial liabilities that are not measured at fair value and have carrying amounts which are a reasonable approximation of fair value are classified as financial liabilities at amortised cost.

30 Contingent liability

Financial guarantee contracts

There are no terms and conditions attached to financial guarantees that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows. The Company issued financial guarantees to Duke Royalty Limited in respect of banking facilities granted to Fairmed Healthcare AG, which is a subsidiary of SPG, amounting to US$12,176,000 (2021: US$Nil). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee.