RV ENTERPRIZES PTE. LTD.

(Incorporated in the Republic of Singapore)
(Registration No. 200905191M)

Annual Report
For the financial year ended 31 March 2019

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Annual Report
For the financial year ended 31 March 2019

Contents

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DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of the Company for the financial year ended 31 March 2019.

In the opinion of the directors,

(a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1. DIRECTORS

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

RAVI KANT JAIPURIA
NANCY JULIA ZEHNDER
MUNJAL ASHISH (Appointed on 5 September 2018)

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose 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.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50 (the "Act"), the directors of the Company who held office at the end of the financial year had interests in the shares or debentures of the Company and its related corporations as follows:

	Ordinary shares			
	In the name of the director		Deemed interest	
Name of director and entities in which interests are held	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
RAVI KANT JAIPURIA				
The company	-	-	1,027,286	2,415,579
The ultimate holding company *RJ Corp Limited*	169,645 (90.32%)	169,645 (90.32%)	-	-

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES - continued

By virtue of Section 7 of the Act, Ravi Kant Jaipuria is deemed to have an interest in the Company's and all its related corporations at the beginning and at the end of the financial year.

4. SHARE OPTIONS

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

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

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

5. INDEPENDENT AUDITORS

The Independent Auditors, MGI Alliance Singapore PAC, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

....

(RAVI KANT JAIPURIA)
Director

....

(MUNJAL ASHISH)
Director

22 MAY 2019

MGI Alliance Singapore PAC
Public Accountants, Chartered Accountants
Incorporated in the Republic of Singapore
(Company No. : 201502755N)

60 Robinson Road #11-01
BEA Building
Singapore 068892
Tel: +65 6227 6123
Fax: +65 6227 2061
Email: contact@mgialliance.sg
Website: www.mgialliance.sg

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

RV ENTERPRIZES PTE. LTD.
(Incorporated in the Republic of Singapore)
(Registration No. 200905191M)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of RV ENTERPRIZES PTE. LTD. (the "Company"), which comprise the statement of financial position of the Company as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for any adjustments that might be required to be made to the financial statements in respect of the matter mentioned in the Basis for Qualified Opinion section of our report, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Qualified Opinion

Management has determined that there is no impairment of loans to subsidiary with total carrying value of US$16,847,051 as at 31 March 2019 (2018: US$13,779,628) and the additional investment in the subsidiary of US$694,444, after taking into account the business plan and cash flow projections of the subsidiary. We have taken note of management's position. However, we have not been able to independently verify management's evaluation of the impairment assessment and consequently, we are unable to determine whether any adjustments to the carrying value of the loans to subsidiary and investment in subsidiary as at year end would be necessary.

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

Other Information

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

60 Robinson Road #11-01
BEA Building
Singapore 068892
Tel: +65 6227 6123
Fax: +65 6227 2061
Email: contact@mgialliance.sg
Website: www.mgialliance.sg

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

RV ENTERPRIZES PTE. LTD. - continued
(Incorporated in the Republic of Singapore)
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Other Information - continued

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

MGI Alliance Singapore PAC
Public Accountants, Chartered Accountants
Incorporated in the Republic of Singapore
(Company No.: 201502755N)

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BEA Building
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

RV ENTERPRIZES PTE. LTD. - continued
(Incorporated in the Republic of Singapore)
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Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

MGI Alliance Singapore PAC

MGI ALLIANCE SINGAPORE PAC
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS

Singapore,

22 May 2019

MGI ALLIANCE SINGAPORE PAC
201502755N
CHARTERED ACCOUNTANTS

A member of
mgi worldwide

RV ENTERPRIZES PTE. LTD.
(Incorporated in the Republic of Singapore)
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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	NOTE	2019 US$	2018 US$
ASSETS			
NON-CURRENT ASSETS			
Investment in subsidiary	(4)	**694,444**	-
Loans to subsidiary	(5)	**15,524,998**	8,796,853
Total non-current assets		**16,219,442**	8,796,853
CURRENT ASSETS			
Loans to subsidiary	(5)	**1,322,053**	4,982,775
Cash and cash equivalents	(6)	**21,017**	35,718
Total current assets		**1,343,070**	5,018,493
TOTAL ASSETS		**17,562,512**	13,815,346
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	(7)	**16,321,512**	15,360,381
Capital reserve	(8)	**1,202,510**	-
Accumulated losses		**(2,969,460)**	(1,677,205)
Total equity		**14,554,562**	13,683,176
NONCURRENT LIABILITIES			
Loan from holding company	(9)	**2,876,362**	-
Total non-current liabilities		**2,876,362**	-
CURRENT LIABILITIES			
Other payables and accruals	(10)	**131,588**	132,170
Total current liabilities		**131,588**	132,170
Total liabilities		**3,007,950**	132,170
TOTAL EQUITY AND LIABILITIES		**17,562,512**	13,815,346

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

RV ENTERPRIZES PTE. LTD.
(Incorporated in the Republic of Singapore)
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STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	NOTE	**2019 US$**	2018 US$
Continuing operations			
Revenue		**-**	-
Other income	(11)	**78,941**	-
Administrative expenses	(11)	**(14,831)**	(91,282)
Other expenses	(11)	**(1,277,493)**	-
Finance cost	(11)	**(78,872)**	-
Loss before tax		**(1,292,255)**	(91,282)
Income tax expense	(12)	**-**	-
Loss for the financial year		**(1,292,255)**	(91,282)
Other comprehensive income		**-**	-
Total comprehensive income for the financial year		**(1,292,255)**	(91,282)

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

RV ENTERPRIZES PTE. LTD.
(Incorporated in the Republic of Singapore)
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STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Share capital US$	**Capital reserve US$**	**Accumulated losses US$**	**Total US$**
2019				
Beginning of financial year	15,360,381	-	(1,677,205)	13,683,176
Total comprehensive income for the financial year	-	-	(1,292,255)	(1,292,255)
Transactions with owner recognised directly in equity				
- Issue of ordinary shares (Note 7)	961,131	-	-	961,131
- Premium on interest-free loan (Note 9)	-	1,202,510	-	1,202,510
End of financial year	**16,321,512**	**1,202,510**	**(2,969,460)**	**14,554,562**

	Share capital US$	Accumulated losses US$	Total US$
2018			
Beginning of financial year	15,210,381	(1,585,923)	13,624,458
Total comprehensive income for the financial year	-	(91,282)	(91,282)
Transactions with owners recognised directly in equity			
- Issue of preference shares (Note 7)	150,000	-	150,000
End of financial year	15,360,381	(1,677,205)	13,683,176

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

RV ENTERPRIZES PTE. LTD.
(Incorporated in the Republic of Singapore)
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STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	NOTE	2019 US$	2018 US$
Cash flows from operating activities			
Loss before tax		**(1,292,255)**	(91,282)
Adjustments for:			
Exchange loss		**712**	71,730
Impairment of investment in subsidiary		**1,277,493**	-
Amortisation of discount on loan to subsidiary		**(78,941)**	-
Amortisation of premium on loan from holding company		**78,872**	-
Operating cash flows before changes in working capital		**(14,119)**	(19,552)
Changes in working capital			
Other payables and accruals		**(582)**	125,040
Net cash (used in)/generated from operating activities		**(14,701)**	105,488
Cash flows from investing activities			
Payment to acquire additional investment in subsidiary		**(694,444)**	-
Loans to subsidiary		**(4,266,687)**	(282,851)
Net cash used in investing activities		**(4,961,131)**	(282,851)
Cash flows from financing activities			
Loan from holding company		**4,000,000**	-
Proceeds from issue of preference shares		**961,131**	150,000
Net cash generated from financing activities		**4,961,131**	150,000
Net decrease in cash and cash equivalents		**(14,701)**	(27,363)
Cash and cash equivalents at beginning of financial year		**35,718**	63,081
Cash and cash equivalents at end of financial year	(6)	**21,017**	35,718

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

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

1. GENERAL INFORMATION

RV ENTERPRIZES PTE. LTD. (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is:

60 Robinson Road #11-01
Bank of East Asia Building
Singapore 068892

The principal activities of the Company are those of general wholesale trade and investment holding. The principal activities of the subsidiary are disclosed in Note 4.

The Company's immediate holding company is Devyani International Limited ("DIL") and the ultimate holding company is RJ Corp Limited ("RJCL")*, both incorporated in India.

*Pursuant to a Scheme of Amalgamation passed by the National Company Law Tribunal of New Delhi, India via its judgement dated 1 September 2017, certain shareholders of DIL transferred their shareholdings in DIL to RJCL, making RJCL the majority shareholder of DIL and the ultimate holding company of DIL and its subsidiaries with retroactive effect from 1 April 2016.

The financial statements of RV ENTERPRIZES PTE. LTD. for the financial year ended 31 March 2019 were authorised for issue by the Board of Directors on the date of the Directors' Statement.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS) and provisions of the Singapore Companies Act.

The Company is exempted from the requirement to prepare consolidated financial statements as the Company is the subsidiary of Devyani International Limited, an India-incorporated company which produces consolidated financial statements available for public use. The registered office of Devyani International Limited, where those consolidated financial statements can be obtained is as follows: Plot No: 31 Sector 44, Institutional Area, Gurgaon, Haryana - 122002 India.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies notes that follow.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2. BASIS OF PREPARATION - continued

c) Functional and presentation currency

These financial statements are presented in United States Dollars (US$), which is the Company's functional currency.

d) Use of estimates and judgement

The preparation of the financial statements in conformity with FRSs requires management to make judgements, 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 year in which the estimates are revised and in any future years affected.

Judgements made in applying accounting policies

In the process of applying the entity's accounting policies, management is of the opinion that there are no critical judgements (other than those involving estimates) that have significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

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

Impairment of loans to subsidiary

The impairment of loans to subsidiary is based on management's continuous evaluation of the recoverability of the outstanding loans. In assessing the ultimate realisation of these loans, management considers, among other factors, the creditworthiness, including the assessment of the latest performance and financial position of the subsidiary, adjusted for the future outlook of the industry in which the subsidiary operates in, and the past collection history of the subsidiary. If the financial conditions of the subsidiary were to deteriorate, resulting in an impairment of its ability to make payments, allowances may be required using 12 months ECL. The carrying amount of the Company's loans to subsidiary as at 31 March 2019 were US$16,847,051 (2018: US$13,779,628) as disclosed in Note 5.

2. BASIS OF PREPARATION - continued

e) Changes in accounting policies

Overview

In the current financial year, the Company has adopted all the new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Except for the adoption of FRS 109 Financial Instruments, which is discussed in the next paragraph, the adoption of these new/revised FRS and INT FRS has not resulted in changes to the Company's accounting policies and has also no material effect on the amounts reported for the current or prior year's financial information.

In respect of FRS 109, the changes to the accounting policies are detailed in the accounting policy notes. However, the adoption of this FRS has no material effect on the amounts reported for the current or prior year's financial information.

The Company has not early adopted any of the FRS, INT FRS, and amendments to FRS that were issued but not effective at the beginning of the financial year. The directors expect that the adoption of these other standards and interpretations will have no material impact on the financial statements in the year of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the following paragraphs have been applied consistently by the Company to both periods presented in these financial statements, except as explained in Note 2(e), which addresses changes in accounting policies.

a) Foreign currency transactions and balances

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 reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

3. **SIGNIFICANT ACCOUNTING POLICIES - continued**

a) **Foreign currency transactions and balances - continued**

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated 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 retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

i) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and

ii) qualifying cash flow hedges to the extent that the hedge is effective.

b) **Investment in subsidiary**

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Company generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investment in subsidiary in the separate financial statements of the Company is stated at cost less impairment losses.

c) **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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

3. **SIGNIFICANT ACCOUNTING POLICIES - continued**

c) **Financial instruments - continued**

(i) Recognition and initial measurement - continued

Non-derivative financial assets and financial liabilities - continued

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

Non-derivative financial assets - Policy applicable from 1 April 2018

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.

The Company only has financial assets at amortised cost.

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.

Financial assets at amortised cost comprise loans to subsidiary and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

3. **SIGNIFICANT ACCOUNTING POLICIES - continued**

c) **Financial instruments - continued**

(ii) Classification and subsequent measurement - continued

Non-derivative financial assets - Policy applicable from 1 April 2018 - continued

Financial assets: Business model assessment - Policy applicable from 1 April 2018

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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

3. **SIGNIFICANT ACCOUNTING POLICIES - continued**

c) **Financial instruments - continued**

(ii) Classification and subsequent measurement - continued

Non-derivative financial assets - Policy applicable from 1 April 2018 - continued

<u>Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable from 1 April 2018</u>

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).

3. **SIGNIFICANT ACCOUNTING POLICIES - continued**

c) **Financial instruments - continued**

(ii) Classification and subsequent measurement - continued

Non-derivative financial assets - Policy applicable from 1 April 2018 - continued

<u>Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable from 1 April 2018 - continued</u>

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 - Policy applicable from 1 April 2018

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.

Non-derivative financial assets - Policy applicable before 1 April 2018

The Company classified non-derivative financial assets into the following categories: financial assets at FVTPL, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company only had loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

c) Financial instruments - continued

(ii) Classification and subsequent measurement - continued

Non-derivative financial assets: Subsequent measurement and gains and losses - Policy applicable before 1 April 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised loans to subsidiary and cash and cash equivalents.

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.

Other financial liabilities comprise loan from holding company and other payables and accruals.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

3. **SIGNIFICANT ACCOUNTING POLICIES - continued**

c) **Financial instruments - continued**

(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 substantially all of the risks and rewards of ownership of the financial asset are transferred or in which 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.

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. In these cases, the transferred assets are not derecognised.

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 in hand and cash at bank.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

d) Impairment

Non-derivative financial assets

<u>Policy applicable from 1 April 2018</u>

The Company recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost
- 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.

3. **SIGNIFICANT ACCOUNTING POLICIES - continued**

d) **Impairment - continued**

Non-derivative financial assets - continued

Policy applicable from 1 April 2018 - continued

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

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

The Company considers a FGC to be in default when the subsidiary is unlikely to pay its obligations to the franchisor (refer to Note 18 for the related corporate guarantee) 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

d) Impairment - continued

Non-derivative financial assets - continued

Policy applicable from 1 April 2018 - continued

Credit-impaired financial assets - continued

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 90 days past due;
- 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

d) Impairment - continued

Non-derivative financial assets - continued

Policy applicable before 1 April 2018

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity instruments) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Company considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

d) Impairment - continued

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than biological assets, investment property (fair value model), inventories and deferred tax assets, were reviewed at each reporting date to determine whether there was any indication of impairment. If any such indication existed, then the asset's recoverable amount was estimated. For goodwill, and intangible assets that have indefinite useful lives or that were not yet available for use, the recoverable amount was estimated each year at the same time. An impairment loss was recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeded its estimated recoverable amount.

The recoverable amount of an asset or CGU was the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflected 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 could not be tested individually were grouped together into the smallest group of assets that generated cash inflows from continuing use that were largely independent of the cash inflows of other assets or CGUs.

The Company's corporate assets did not generate separate cash inflows and were utilised by more than one CGU. Corporate assets were 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 was allocated.

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

An impairment loss in respect of goodwill was not reversed. In respect of other assets, impairment losses recognised in prior periods were assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss would be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss would be reversed only to the extent that the asset's carrying amount did not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

e) 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 shares

Preference shares are classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

f) Income tax

Income tax expense comprises current and deferred taxes. Current tax and deferred taxes are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

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 or receivable 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;

3. **SIGNIFICANT ACCOUNTING POLICIES - continued**

f) **Income tax - continued**

- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and

- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, 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.

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 income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset 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.

In determining the amount of current and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3. **SIGNIFICANT ACCOUNTING POLICIES - continued**

g) **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be estimated reliably. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

h) **Related parties**

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. INVESTMENT IN SUBSIDIARY

	2019 US$		2018 US$
Unquoted shares, at cost	**945,300**		945,300
Add: Additional investments during the year			
Cash injection	**694,444**	*	-
Discount on loan to subsidiary	**1,277,493**	**	-
	2,917,237		945,300
Less: Impairment allowance			
Beginning of financial year	**(945,300)**		(945,300)
Charge during the financial year	**(1,277,493)**		-
End of financial year	**(2,222,793)**		(945,300)
Carrying value at end of financial year	**694,444**		-

The details of the subsidiary are as follows:

Name of subsidiary and country of incorporation	Principal activities	Percentage of equity held		Cost of investment	
		2019 **%**	2018 %	**2019** **US$**	2018 US$
Devyani International (Nigeria) Limited (Incorporated in Nigeria)	Franchisee of fast food chain	**78.75***	57.5	**2,917,237**	945,300

*During the financial year, the Company invested additional US$694,444 in exchange for 250,000,000 ordinary shares in the subsidiary, bringing its interest in the subsidiary to 78.75%. Pursuant to a tri-party agreement entered into between the Company, the subsidiary and the minority shareholder of the subsidiary (the "parties") dated 31 August 2018, the minority shareholder is given the call option rights to claw back by purchasing, at a price agreed between the parties, such additional shares of the subsidiary from the Company that shall result in the minority shareholder regaining its percentage share in the subsidiary, thereby bringing back the Company's interest in the subsidiary to its shareholding prior to acquiring the additional shares, that is 57.5%. The call option rights expires on 31 August 2019 and shall lapse in the event that the minority shareholder fails to exercise their rights on or before that date.

**Also during the financial year, the Company granted an interest-free loan to the subsidiary. The loan is discounted to present value with the resulting discount accounted for as additional investment in the subsidiary. Refer to Note 5 for the related loan.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

5. LOANS TO SUBSIDIARY

The loans are unsecured and are subject to the following terms:

	2019 US$	2018 US$	**Interest % pa**	**Payment terms**
First loan*	**131,936**	132,114	5	5 semi-annual instalments commencing 30 September 2020
Second loan*	**395,152**	395,686	5	5 semi-annual instalments commencing 30 June 2020
Third loan*	**2,874,920**	2,874,920	5	12 quarterly instalments commencing 30 June 2020
Fourth loan*	**2,443,479**	2,443,479	5	12 quarterly instalments commencing 30 June 2020
Fifth loan*	**1,149,975**	1,149,975	5	12 quarterly instalments commencing 30 June 2020
Sixth loan*	**1,149,723**	1,149,723	5	12 quarterly instalments commencing 30 September 2020
Seventh loan*	**1,724,718**	1,724,718	5	12 quarterly instalments commencing 31 March 2021
Eighth loan*	**2,586,960**	2,586,960	5	12 quarterly instalments commencing 30 June 2020
Ninth loan	**476,723**	476,723	-	On demand
Tenth loan	**562,479**	562,479	-	On demand
Eleventh loan	**282,851**	282,851	-	On demand
Twelfth Loan**	**4,266,687**	-	-	Due on 31 December 2025
	18,045,603	13,779,628		
Less: Loan premium discount**				
At initial recognition	**1,277,493**	-		
Amortisation	**(78,941)**	-		
End of financial year	**1,198,552**	-		
	16,847,051	13,779,628		
Less: Current portion	**(1,322,053)**	(4,982,775)		
Non-current portion	**15,524,998**	8,796,853		
Due between 1 and 5 years	**11,929,873**	8,796,853		
Due after 5 years	**3,595,125**	-		

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

5. **LOANS TO SUBSIDIARY - continued**

* On 8th April 2019, the board of directors passed the following resolutions in respect of the above loans:

a) Waiver of interest for the period from 01 April 2018 to 31 March 2020; and

b) Deferment of the first instalment payments to the dates indicated above.

** The interest-free loan falling due on 31 December 2025 is discounted using 5% per annum discount rate.

The loans to subsidiary are subordinated to credit facilities extended by a bank in Nigeria to the subsidiary.

6. **CASH AND CASH EQUIVALENTS**

	2019 **US$**	2018 US$
Cash at bank	**21,017**	35,718

7. **SHARE CAPITAL**

	2019 **No. of shares**	**2019** **Paid up**	2018 No. of shares	2018 Paid up
Issued and fully paid up ordinary shares				
Beginning of financial year*	**1,388,293**	**US$961,131**	1,388,293	S$1,388,293
Issued during the financial year	**1,388,293**	**US$961,131**	-	-
End of financial year (a)	**2,776,586**	**US$1,922,262**	1,388,293	S$1,388,293
Reported in United States Dollars (a)				US$961,131

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

7. SHARE CAPITAL - continued

	2019		2018	
	No. of shares	**Paid up**	No. of shares	Paid up
Issued and fully paid up preference shares				
Beginning of financial year	**14,399,250**	**US$14,399,250**	14,249,250	US$14,249,250
Issued during the financial year	**-**	**-**	150,000	US$150,000
End of financial year (b)	**14,399,250**	**US$14,399,250**	14,399,250	US$14,399,250
Total paid up capital at end of financial year (a+b)		**US$16,321,512**		US$15,360,381

*During 2019, the Company converted the beginning balance of its ordinary share capital from S$1,388,293 to US$961,131 divided into the same number of ordinary shares of 1,388,293.

Further, during 2019, the Company issued additional 1,388,293 ordinary shares for cash consideration of US$961,131 for additional working capital purposes.

In the previous financial year, the Company issued additional 150,000 preference shares for cash consideration of US$150,000 for additional working capital purposes.

The ordinary shares have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The preference shares are redeemable only at the option of the Company.

8. CAPITAL RESERVE

Capital reserve represents premium discount on loan from holding company (Note 9)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

9. LOAN FROM HOLDING COMPANY

	2019	2018
	US$	US$
Maturity value	**4,000,000**	-
Less: Loan premium discount		
At initial recognition	**1,202,510**	-
Amortisation during the year	**(78,872)**	-
End of financial year	**1,123,638**	-
	2,876,362	-

The loan from holding company is non-trade in nature, unsecured, interest-free and due for repayment on 31 December 2025. The amount is discounted using 5% per annum discount rate. The loan premium discount at inception of loan is credited to capital reserve (Note 8).

10. OTHER PAYABLES AND ACCRUALS

	2019	2018
	US$	US$
Accruals	**6,588**	7,170
Other payables - third party	**125,000**	125,000
	131,588	132,170

The amount due to a third party is non-trade in nature, unsecured, interest-free and repayable on demand.

11. OTHER INCOME, ADMINISTRATIVE AND OTHER EXPENSES

	2019	2018
	US$	US$
Other income:		
Amortisation of premium discount on loan to subsidiary (Note 5)	**78,941**	-
Administrative expenses include:		
Exchange loss	**700**	71,730

11. OTHER INCOME, ADMINISTRATIVE AND OTHER EXPENSES - continued

	2019 US$	2018 US$
Other expenses:		
Impairment of investment in subsidiary	**1,277,493**	-
Finance cost:		
Amortisation of discount on loan from holding company (Note 9)	**78,872**	-

Key management personnel compensation

The directors are the key management personnel of the Company and they did not receive any remuneration from the Company during the financial year (2018: Nil).

12. INCOME TAX EXPENSE

	2019 US$	2018 US$
Current tax expense	**-**	-

Reconciliation between income tax expense and loss before tax multiplied by the applicable tax rate is as follows:

	2019 US$	2018 US$
Loss before tax	**(1,292,255)**	(91,282)
Tax thereon at 17%	**(219,683)**	(15,518)
Effects of: Non-taxable income	**(13,420)**	-
Disallowable expenses	**230,703**	12,194
Expenses disregarded	**2,400**	3,324
	-	-

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Accounting classifications and fair values

Fair values versus carrying amounts

	Note	Financial assets, at amortised cost US$	Other financial liabilities US$	Total carrying amount US$	Fair value* US$
2019					
Loans to subsidiary					
- non-current	**(5)**	**15,524,998**	**-**	**15,524,998**	**15,524,998**
- current	**(5)**	**1,322,053**	**-**	**1,322,053**	**1,322,053**
Cash and cash equivalents	**(6)**	**21,017**	**-**	**21,017**	**21,017**
		16,868,068	**-**	**16,868,068**	**16,868,068**
Loan from holding company	**(9)**	**-**	**2,876,362**	**2,876,362**	**2,876,362**
Other payables and accruals	**(10)**	**-**	**131,588**	**131,588**	**131,588**
		-	**3,007,950**	**3,007,950**	**3,007,950**

	Note	Loans and receivables US$	Other financial liabilities US$	Total carrying amount US$	Fair value* US$
2018					
Loans to subsidiary					
- non-current	(5)	8,796,853	-	8,796,853	8,796,853
- current	(5)	4,982,775	-	4,982,775	4,982,775
Cash and cash equivalents	(6)	35,718	-	35,718	35,718
		13,815,346	-	13,815,346	13,815,346
Other payables and accruals	(10)	-	132,170	132,170	132,170

* Refer to Note 14 as to how fair values have been determined.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

13. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued**

Risk management policies

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Company's business. The Company's overall business strategies, its tolerance of risk and its general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions.

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 loans to subsidiary and cash and cash equivalents.

The Company extends loans only to its subsidiary.

Cash at bank is placed with a fully licensed bank in Singapore. Impairment on cash at bank has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that the cash at banks have low credit risk based on the external credit ratings of the banks. The amount of the allowance on cash at banks is negligible

At the reporting date, the maximum exposure to credit risk was as follows:

	2019	2018
	US$	US$
Loans to subsidiary	**16,847,051**	13,779,628
Cash at bank	**21,017**	35,718
	16,868,068	13,815,346

Loans to subsidiary

The Company assessed the latest performance and financial position of the subsidiary, adjusted for the future outlook of the industry in which the subsidiary operates in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Liquidity risk

Liquidity risk is the risk of the Company being unable to secure adequate funding to meet current obligations. The Company monitors its liquidity risk and maintains a level of cash and cash equivalents considered adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Risk management policies - continued

Liquidity risk - continued

The following are the contractual maturities of financial liabilities:

	Carrying amount US$	Contractual cash flows US$	On demand US$	Due within 1 year US$	Due after 5 years US$	Total US$
2019						
Loan from holding company	**2,876,362**	**4,000,000**	**-**	**-**	**4,000,000**	**4,000,000**
Other payables and accruals	**131,588**	**131,588**	**125,000**	**6,588**	**-**	**131,588**
Corporate guarantee	**112,480**	**112,480**	**-**	**112,480**	**-**	**112,480**
	3,120,430	**4,244,068**	**125,000**	**119,068**	**4,000,000**	**4,244,068**
2018						
Other payables and accruals	132,170	132,170	125,000	7,170	-	132,170
Corporate guarantee	1,030,748	1,030,748	-	1,030,748	-	1,030,748
	1,162,918	1,162,918	125,000	1,037,918	-	1,162,918

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts as shown above.

Market risk

Market risk is the risk that changes in market prices such as interest rates and foreign exchange rates will affect the result of the Company's operations. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, which is optimising the return on risk.

The Company's exposure to these risks is discussed below:

a) *Interest rate risk*

As at the reporting date, the Company had no significant exposure to interest rate fluctuation.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Risk management policies - continued

Market risk - continued

b) *Foreign currency exchange risk*

At reporting date, the maximum exposure to foreign currency exchange risk was as follows:

	NGN (Converted to US$)	SGD (Converted to US$)	US$	TOTAL US$
2019				
Financial assets				
Loans to subsidiary	**527,088**	**-**	**16,319,963**	**16,847,051**
Financial liabilities				
Other payables and accruals	**-**	**(6,588)**	**(125,000)**	**(131,588)**
Net exposure	**527,088**	**(6,588)**	**N/A**	**N/A**
2018				
Financial assets				
Loans to subsidiary	527,800	-	13,251,828	13,779,628
Financial liabilities				
Other payables and accruals	-	(7,170)	(125,000)	(132,170)
Net exposure	527,800	(7,170)	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Risk management policies - continued

Market risk - continued

b) *Foreign currency exchange risk - continued*

Sensitivity analysis

A 10% strengthening of the United States Dollar against the following currencies at the reporting date would (decrease)/ increase profits by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2019 **US$**	2018 US$
Nigerian Naira ("NGN")	**(52,709)**	(52,780)
Singapore Dollar ("S$")	**659**	717

A 10% weakening of the United States Dollar against the above currencies would have had the opposite effect on profits by the amounts shown above, on the basis that all other variables remain constant.

14. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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

Cash and cash equivalents, Loans to subsidiary (current), Other payables and accruals

The carrying amounts of these items approximate their respective fair values due to their relatively short term nature.

14. DETERMINATION OF FAIR VALUES - continued

Interest-bearing loans to subsidiary (non-current)

The carrying values of the loans to subsidiary approximate their fair values as they bear interest at market rate.

Interest-free loan from holding company and loan to subsidiary

The fair values of interest-free loan from holding company and loan to subsidiary are determined using 5% discount rate.

15. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2019 and 31 March 2018.

The Company is not subject to externally imposed capital requirements. The Company's overall strategy remains unchanged from 2018.

17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes		
2019	**Beginning of financial year**	**Net cash flows**	**Premium discount**	**Amortisation of premium discount**	**End of financial year**
	US$	**US$**	**US$**		**US$**
Loan from holding company	**-**	**4,000,000**	**(1,202,510)**	**78,872**	**2,876,362**
2018	N/A	N/A	N/A	N/A	N/A

18. CONTINGENT LIABILITIES AND COMMITMENTS

The Company and a director of the Company, together with two other parties, are, under a Deed of Guarantee, committed to guarantee the due and punctual payments to be paid by the subsidiary to Yum Restaurants International Proprietary Limited (the "Franchisor") and to indemnify the Franchisor for any breach of any term or condition under the Franchise Agreement entered into between the subsidiary and the Franchisor.

As at the reporting date, the Company had contingent liabilities amounting to NGN40,491,814 (equivalent to USS$112,480) [2018: NGN326,231,807 (US$1,030,748)] in respect of corporate guarantees issued in respect of the above Deed of Guarantee. The Company has assessed that it is unlikely that it needs to pay any amounts as a result of the corporate guarantee (2018: Nil).

The Company had no other contingent liabilities or commitments outstanding as at the financial year end, except as disclosed above.

19. SUBSEQUENT EVENTS

On 8th April 2019, the board of directors passed the following resolutions in respect of the loans to subsidiary:

a) Waiver of interest for the period from 01 April 2018 to 31 March 2020; and

b) Deferment of the first instalment payments for another year.

RV ENTERPRIZES PTE. LTD.
(Incorporated in the Republic of Singapore)
(Registration No. 200905191M)

DETAILED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	2019 US$	2018 US$
Other income		
Amortisation of premium discount on loan from holding company	**78,941**	-
Administrative expenses		
Audit fee	**4,758**	4,958
Bank charges	**544**	322
Exchange loss	**700**	71,730
Miscellaneous expenses	**966**	1,465
Office support	**2,642**	2,972
Professional fees	**-**	4,904
Secretarial fees	**3,391**	3,024
Tax service fee	**1,830**	1,907
	14,831	91,282
Other expenses		
Impairment of investment in subsidiary	**1,277,493**	-
Finance cost		
Amortisation of discount on loan to subsidiary	**78,872**	-

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