

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF BOWEN RAIL OPERATION PTE. LTD.**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **BOWEN RAIL OPERATION PTE. LTD.** (the "Company"), which comprise the statement of financial position as at 31 March 2021, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2021 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has incurred a net loss of **US\$8,633** during the financial year ended 31 March 2021, and as of the date, the Company's total liabilities exceeded its total assets by **US\$3,633**. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, a related party has undertaken to provide unconditional financial support to the Company to enable it to discharge its obligations as and when they fall due. Our opinion is not modified in respect of this matter.

Other Information

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

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF BOWEN RAIL OPERATION PTE. LTD. – cont'd**

Other Information – cont'd

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

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

Responsibilities of Management and Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF BOWEN RAIL OPERATION PTE. LTD. – cont'd**

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

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

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

Report on Other Legal Regulatory Requirements

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

Prudential PAC

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



Date: 23 April 2021

BOWEN RAIL OPERATION PTE. LTD.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	<u>Note</u>	<u>2021</u> <u>US\$</u>
ASSETS		
Non-current assets		
Investment in subsidiary	(7)	1,375
Loan to subsidiary	(8)	<u>24,900,000</u>
Total non-current assets		<u>24,901,375</u>
Current assets:		
Bank balances	(9)	<u>48,592</u>
Total current assets		<u>48,592</u>
Total assets		<u><u>24,949,967</u></u>
EQUITY AND LIABILITIES		
Capital and reserves:		
Share capital	(10)	5,000
Accumulated losses		<u>(8,633)</u>
Total capital deficiencies		<u>(3,633)</u>
Non-current liability:		
Loan from immediate holding company	(11)	<u>24,950,000</u>
Total non-current liability		<u>24,950,000</u>
Current liabilities:		
Other payables	(12)	<u>3,600</u>
Total current liabilities		<u>3,600</u>
Total liabilities		<u>24,953,600</u>
Total equity and liabilities		<u><u>24,949,967</u></u>

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

BOWEN RAIL OPERATION PTE. LTD.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD AFTER 11 DECEMBER 2019 (DATE OF
INCORPORATION) TO 31 MARCH 2021

	<u>Note</u>	11 Dec 2019 to 31 Mar 2021 US\$
Revenue		-
Administrative expenses		(8,191)
Other expense		<u>(442)</u>
Loss before income tax		(8,633)
Income tax expense	(13)	<u>-</u>
Loss for the period	(14)	(8,633)
Other comprehensive income		<u>-</u>
Total comprehensive loss for the period		<u>(8,633)</u>

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

BOWEN RAIL OPERATION PTE. LTD.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD AFTER 11 DECEMBER 2019 (DATE OF
INCORPORATION) TO 31 MARCH 2021

	Share Capital	Accumulated Losses	Total
	US\$	US\$	US\$
Balance as at date of incorporation, 11 December 2019	5,000	-	5,000
Total comprehensive loss for the period	-	(8,633)	(8,633)
Balance as at 31 March 2021	5,000	(8,633)	(3,633)

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

BOWEN RAIL OPERATION PTE. LTD.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 11 DECEMBER 2019 (DATE OF
INCORPORATION) TO 31 MARCH 2021

	<u>Note</u>	11 Dec 2019 To <u>31 Mar 2021</u> US\$
Cash flows from operating activities		
Loss before income tax and working capital changes		(8,633)
Other payables		<u>3,600</u>
Net cash used in operating activities		<u>(5,033)</u>
Investing activities:		
Acquisition of subsidiary	(7)	(1,375)
Loan to subsidiary	(8)	<u>(24,900,000)</u>
Net cash used in investing activity		<u>(24,901,375)</u>
Financing activities:		
Proceed from issue of shares	(10)	5,000
Loan from immediate holding company		<u>24,950,000</u>
Net cash generated from financing activities		<u>24,955,000</u>
Net increase in bank balances		48,592
Bank balances at beginning of period		<u>-</u>
Bank balances at end of period	(9)	<u><u>48,592</u></u>

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

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

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

1. GENERAL

Bowen Rail Operation Pte. Ltd. ("the Company") (Registration number: 201941837R) is a private limited company incorporated and domiciled in the Republic of Singapore with its registered office and principal place of business at:

80 Raffles Place #33-20
UOB Plaza
Singapore 048624

The principal activity of the Company is to act as other holding companies.

At the end of the reporting date, the Company has incurred a net loss of **US\$8,633** during the financial year ended 31 March 2021, and as of the date, the Company's total liabilities exceed its total assets by **US\$3,633**. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, a related party will continue to provide financial support to the Company to enable it to discharge its obligations as and when they fall due.

The financial statements of the Company for the financial year ended 31 March 2021 were authorised for issue by the Board of Directors on 23 April 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up and in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

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

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

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

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.1 Basis of Accounting – cont'd

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumption. The areas involving a higher degree of judgement or complexity or areas when assumption and estimates are significant to the financial statement as disclosed in Note 4.

2.2. Changes in Accounting Policies

a) Adoption of new revised FRS and INT FRS

In the current financial period, the company has adopted all the new and revised FRSs and INT FRSs issued by the ASC that are relevant to its operations and effective for annual periods beginning on or after 11 December 2019. The adoption of these new/revised FRSs did not result in changes to the company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

b) Standards issued but not yet effective

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

<u>Reference</u>	<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
FRS 1	Classification of Liabilities as Current or Non-Current (Amendments)	1 January 2023
FRS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Annual Improvements to FRSs 2018-2020 cycle:		
- Amendments to FRS 109 Financial Instruments – Fees in the "10 percent" Test for Derecognition of Financial Liabilities		1 January 2022

The Company expect that the adoption of the above standards, interpretations and improvements, if applicable, will have no material impact on the financial statements in the period of initial application.

2.3 Functional and Foreign Currency

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements of the Company are presented in United States dollar, which is also the functional currency of the Company.

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.3 Functional and Foreign Currency – cont'd

(b) Foreign currency transactions

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

2.4. Investment in Subsidiary

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

Consolidated financial statements have not been presented as the Company itself is a wholly owned subsidiary of another entity; and the ultimate holding company, Adani Ports and Special Economic Zone Limited produces the consolidated financial statements available for public use.

2.5. Bank Balances

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

2.6 Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.6 Impairment of Non-Financial Assets – cont'd

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.7 Related Parties

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

- (a) A person or a close member of that person's family is related to the Company if he or she:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to a Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group i.e. 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) has significant influence over the Company or is a member of the key management personnel of the Company or of a parent of the Company;
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the Company.

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

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

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.7 Related Parties – cont'd

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

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

2.8 Income Tax

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

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the Company operate by the end of reporting period.

(b) Deferred tax

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets 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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.8 Income Tax – cont'd

(b) Deferred tax – cont'd

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

2.9 Provision

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

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

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

2.10 Contingent Liabilities and Contingent Assets

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

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

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

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

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.10 Contingent Liabilities and Contingent Assets – cont'd

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

2.11 Events after the Reporting Period

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

3. FINANCIAL INSTRUMENTS

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

3.1. Financial Assets

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

(a) Classification and subsequent measurement

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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

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

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.1. Financial Assets – cont'd

(a) Classification and subsequent measurement – cont'd

Subsequent measurement

Financial assets at amortised cost

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

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

As at the reporting date, the Company's debt instruments at amortised cost consist of bank balances and loan to subsidiary.

(b) Impairment of financial assets

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

The Company recognises lifetime ECL for other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.1. Financial Assets – cont'd

(b) Impairment of financial assets – cont'd

Measurement and recognition of expected credit losses

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows for the Company in accordance with the contract and all the cash flows that the Company expects to receive, discount at the original effect interest rate.

(c) Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in profit or loss.

3.2. Equity and Financial Liabilities

Equity instruments issued by the Company and financial liabilities are classified accordingly to the substance of the contractual arrangements entered into and the definitions of an equity instrument and a financial liability.

(a) Equity instruments

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

Share capital is classified as equity instruments.

(b) Financial liabilities

Financial liabilities consist of other payables and loan from immediate holding company.

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

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.2. Equity and Financial Liabilities – cont'd

(c) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payables, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

4.1 Critical Judgement in Applying Accounting Policies

The management is of the opinion that there are no significant judgements made in applying accounting estimates and policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2 Key Sources of Estimation Uncertainty

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

i) Impairment of investment in subsidiary

The Company follows the guidance of FRS 36 in determining the recoverability of its investments in subsidiary. The Company determines the recoverable amount of the subsidiary based on the subsidiary's net assets values at the end of the reporting period as in the opinion of the management, the net assets values of these subsidiary reasonably approximate the fair values less costs to sell.

The carrying amounts of the investment in subsidiary is disclosed in Note 7 to the financial statements.

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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

4.2 Key Sources of Estimation Uncertainty – cont'd

ii) Loss allowance for impairment on other receivables

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the existing and forecast industry outlook of the related parties as well as forward looking estimates at the end of each reporting period. The information about the ECLs is disclosed in Note 5.2(a).

The carrying amount of the loan to subsidiary is disclosed in Note 8.

5. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

5.1 Categories of Financial Assets and Financial Liabilities

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

	<u>2021</u> US\$
<u>Financial assets</u>	
At amortised cost:	
- Loan to subsidiary	24,900,000
- Bank balances	48,592
	<u>24,948,592</u>
<u>Financial liabilities</u>	
At amortised cost:	
- Loan from immediate holding company	24,950,000
- Other payables	3,600
	<u>24,953,600</u>

5.2 Financial Risk Management Policies and Objectives

The Company's overall risk management policy seeks to minimise potential adverse effects on the financial performance of the Company. The Company, however, does not have any written risk management policies and guidelines. The management meet periodically to analyse, formulate and monitor the following risk management of the Company and believe that the financial risks associated with these financial instruments are minimal. The Company adopt systematic approach towards risk assessment and management. This is carried out in three phases, i.e. identification and assessment of risks, formulation and implementation of risk treatment, and monitoring and reporting of risk profile.

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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

5.2 Financial Risk Management Policies and Objectives – cont'd

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk. The Company is not significantly exposed to interest rate risk and foreign currency risks.

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations to repay amounts owing to the Company resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from bank balance.

It is the Company's policy to enter into transactions with creditworthy counterparties to mitigate any significant credit risk. The Company has procedures in place to control credit risk and that exposure to such risk is monitored on an ongoing basis.

Credit risk management

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

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and includes forward-looking information such as the following:

- Credit rating information supplied by publicly available financial information;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- Significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors and changes in the operating results of the debtor.

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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

5.2 Financial Risk Management Policies and Objectives – cont'd

(a) Credit risk – cont'd

Credit risk management – cont'd

Significant increase in credit risk – cont'd

Regardless of the analysis above, a significant increase on credit risk is presumed if a debtor is more than 30 days past due in making contractual payment unless the company has reasonable and supportable information that demonstrates otherwise.

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

Low credit risk

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

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

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

Credit-impaired

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

- Significant financial difficulty of the counter-party or the borrower;
- A breach of contract, such as default or past due event; or
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

Default event

The Company considers the following as constituting an event of default when:

- The borrower fails to make contractual payments, within 90 days when they fall due, unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate; or
- Internal or external information indicates that the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the Company to actions such as realising security (if any is held).

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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

5.2 Financial Risk Management Policies and Objectives – cont'd

(a) Credit risk – cont'd

Write-off policy

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

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

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

Credit risk grading framework

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

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

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

Simplified approach

Where applicable, the Company will apply the simplified approach using the provision matrix to provide for ECLs for other receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

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

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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

5.2 Financial Risk Management Policies and Objectives – cont'd

(b) Credit risk – cont'd

Expected Credit Loss Assessment

The following are qualitative information about amounts arising from expected credit losses for bank balances.

- *Loan to subsidiary*

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

- *Bank balances*

The Company places its bank deposits with banks with high credit ratings assigned by international credit-rating agencies. Impairment on bank balances are measured on the 12-month expected loss basis. Management considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. Therefore, management considers the amount of ECL is insignificant.

(b) Liquidity risk management

Liquidity risk refer to risk that the Company will not have sufficient funds to pay its debts as and when they fall due.

The Company is exposed to liquidity risk. A related party has agreed to provide unconditional financial support to the Company to enable it to discharge its obligations as and when they fall due as stated in Note 1 to the financial statements.

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

	Effective interest rate (%)	Carrying amount US\$	Contractual undiscounted cash flows		
			Less than 1 year US\$	Between 2 to 5 years US\$	Total US\$
2021					
Financial liabilities:					
Loan from immediate holding company	-	24,950,000	-	24,950,000	24,950,000
Other payables	-	3,600	3,600	-	3,600
		<u>24,953,600</u>	<u>3,600</u>	<u>24,950,000</u>	<u>24,953,600</u>

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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

5.2 Financial Risk Management Policies and Objectives – cont'd

(c) Fair value of financial assets and financial liabilities

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

Management has determined that the carrying amounts of loan to subsidiary, bank balances, loan from immediate holding company and other payables based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature.

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

(d) Capital risk management policies and objectives

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

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

	<u>2021</u> US\$
Loan from immediate holding company	24,950,000
Other payables	3,600
Less: Bank balances	<u>(48,592)</u>
Net debt	24,905,008
Total capital deficiencies	<u>(3,633)</u>
Total capital	<u>24,901,375</u>
Gearing ratio	<u>100%</u>

The Company is not subject to any externally imposed capital requirements.

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

6. HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Adani Mundra Port Holding Pte. Ltd., incorporated in Singapore. The ultimate holding company is Adani Ports and Special Economic Zone Limited, a company incorporated in India.

Related parties in these financial statements refer to members of the immediate company's group of companies. In addition, parties are considered to be related, if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

In addition to the information disclosed elsewhere in the financial statements, the following transactions and arrangements took place between the Company and related parties took place at terms agreed between the parties during the financial year. The related party balances are unsecured, repayable on demand and interest free unless otherwise stated.

7. INVESTMENT IN SUBSIDIARY

	<u>2021</u> US\$
<u>Unquoted equity investments at cost</u> Bowen Rail Company Pty Ltd	<u>1,375</u>

Details of the subsidiary are as follows:

<u>Name of the subsidiary</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Equity holding</u> <u>2021</u> %
Bowen Rail Company Pty Ltd	Establishment of a coal rail haulage operation in Australia	Australia	100

8. LOAN TO SUBSIDIARY

Loan to subsidiary is unsecured, interest free and is not expected to be repaid in the next 12 months.

Loan to subsidiary is denominated in United States dollar.

9. BANK BALANCES

	<u>2021</u> US\$
Cash at bank	<u>48,592</u>

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9. **BANK BALANCES – cont'd**

Bank balances are denominated in the following currencies:

	<u>2021</u> US\$
Singapore dollar	14,182
United States dollar	<u>34,410</u>
	<u><u>48,592</u></u>

10. **SHARE CAPITAL**

	<u>2021</u> Number of <u>ordinary shares</u>	<u>2021</u> US\$
<u>Issued and fully paid up:</u>		
Ordinary shares	<u>5,000</u>	<u>5,000</u>

At date of incorporation, the Company issued 5,000 ordinary shares at US\$1 per ordinary share for cash to the subscribers according to the Constitution.

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

11. **LOAN FROM IMMEDIATE HOLDING COMPANY**

Loan from immediate holding company is unsecured, interest free and is not expected to be repaid in the next 12 months.

Loan from immediate holding company is denominated in United States dollar.

12. **OTHER PAYABLES**

	<u>2021</u> US\$
Accruals	<u>3,600</u>

Other payables are denominated in United State dollar.

13. **INCOME TAX**

No provision for income tax was provided as there was no chargeable income during the period.

BOWEN RAIL OPERATION PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

14. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	11 Dec 2019 To <u>31 Mar 2021</u> US\$
Audit fee	3,000
Foreign currency exchange loss	442
Professional fee	<u>4,801</u>

15. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

<u>Loan from immediate holding company (Note 11)</u>	US\$
At 11 December 2019	-
<i>Financing cash flows:</i> - proceeds from loan	<u>24,950,000</u>
At 31 March 2021	<u>24,950,000</u>

16. COMPARATIVE FIGURES

The financial statements cover the financial period since incorporation on 11 December 2019 to 31 March 2021. This being the first set of financial statements, there are no comparative figures.

17. EVENTS AFTER THE REPORTING PERIOD

No items, transactions or events of material and unusual nature has arisen in the interval between the end of the reporting period and the date of this report which is likely to affect substantially the results of operations of the Company for the succeeding financial year.

BOWEN RAIL OPERATION PTE. LTD.

DETAILED STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL PERIOD FROM 11 DECEMBER 2019 (DATE OF
INCORPORATION) TO 31 MARCH 2021

	11 Dec 2019 To <u>31 Mar 2021</u> US\$
Revenue	-
Less:	
Administrative Expenses	
Audit fee	3,000
Bank charges	390
Professional fee	4,801
Other Expense	
Foreign currency exchange loss	442
	<u>8,633</u>
Loss before income tax	<u><u>(8,633)</u></u>

The schedule does not form part of the statutory financial statements.