**Mortice Limited**

("Mortice" or the "Company" or the "Group")

**Final Results**

Mortice Limited (AIM: MORT), the AIM listed security and facilities management company, is pleased to announce its audited results for the year ended 31 March 2018.

**Financial Results Highlights**

- Revenues up 21% to $219m (FY 2017: $181m)
    - Security services sales up 20% to $118m (FY 2017: $98.2m)
    - Facilities Management revenues up 22% to $100.3m (FY 2017: $82.5m)
    - Geographical revenue mix :
        - *India $141.28m - 64% (FY 2017 $ 115.38m - 64%)*
        - *UK $68.19m - 31% (FY 2017 $55.47m - 31%)*
        - *Singapore $9.79m - 5% (FY 2017 $10.16mm - 5%)*
- Adjusted* EBITDA down by 9% to $9.6m (FY 2017: $10.5m)
- Adjusted** PBT down by 29% to $3.9 m (FY 2017: $5.5m)

- Net debt of $18.4m (FY 2017: $13.5m), $3.12m of increase related to funding the acquisition of 2.33 million shares from UK vendors in October 2017

** adjusted for the impact of a foreign currency gain in the current year of c.$1.06m (2017: c.$0.86m loss) adjusted for a gain in financial liabilities in the current year of $nil (2017: $0.7m) and interest on financial liabilities in the current year $ 0.42m (2017:-nil) . The gain in financial liabilities has been taken through reserves in the current year, in the prior year this was included within other income.*

*** adjusted for $0.42 million towards accretion of interest on the put option liability for UK vendors obligations.~~.~~*

**Operational Highlights**

- New clients added during the period, included: J&K Bank, Bharat Oman Refineries Ltd., HCL Technologies and STT Global in India and Maple Tree, Ripple Bay in the Singapore~~.~~
- More than 90% of income generated from repeat business~~.~~
- Cost optimization programme undertaken with Office & General ("O&G"), Elite cleaning & Environmental Service fully integrated and rebranded under the Tenon FM Brand~~.~~

**Post Period End Highlights**

As announced on the 1 May 2018, the Group, through its wholly-owned subsidiary, Tenon Facility Management Singapore Pte. Limited ("Tenon Singapore"), acquired the remaining 49% of the issued and paid-up capital of its Singapore-based subsidiary Frontline Security PTE LTD ("Frontline Security"), for a maximum consideration of SGD 3.5 million in cash

- ~~.~~

- ~~UK market continues to present challenges, an example of this is the loss of one of the largest UK contracts from October 2018 onwards, representing approximately 6% of~~

~~Group revenues. Progress continues on actively bidding for ongoing work on the basis of appropriate margins in the new market environment.~~

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**Commenting, Manjit Rajain, Executive Chairman of Mortice, said:**

*"I am pleased by the Company's performance during the period, despite market challenges, particularly in the UK. We continue to create a global footprint and remain extremely excited by the growth prospects across all parts of the business."*

**Enquiries:**

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**About Mortice Limited**
Mortice (AIM: MORT), is an AIM listed security and facilities management company, incorporated in Singapore and based in India with additional operations in Singapore and the UK.

Mortice operates under two brands, in India:

- **Peregrine Guarding Private Limited, as registered Company operating under the brand name of "Peregrine",** provision of guarding and security services to a wide range of clients from blue-chip companies, smaller businesses, commercial and private properties, and individuals.

- **Tenon Facility Management India Private Limited, as registered Company operating under the brand name of "Tenon" ,** provision of a full range of facilities management services to corporate occupiers, owners and developers of real estate. Clients include respected blue-chip and home-grown companies. Within the Tenon group of companies Mortice also offers security surveillance services through its subsidiary Companies i.e. Soteria Command Center Private Limited and mechanical and engineering services via Roto Power Projects Private Limited.

The business is growing and profitable and is focused on expanding its geographical footprint and growing through targeted acquisitions, as well as organically.

In 2015, the Company established in the name of Tenon Facility Management UK Limited and through this wholly owned subsidiary Company acquired UK based Office & General Group Limited, an independent property service company specialising in cleaning and providing support services such as environmental solutions and built fabric maintenance in the UK. Office & General Group Limited has been fully integrated and re-branded as Tenon FM Ltd. For more information see: www.tenon-fm.com/what-we-do

In April 2017, Tenon UK completed the acquisition of Manchester-based Elite Cleaning & Environmental Services Ltd ("Elite"). Elite has a strong blue-chip client base, which is complementary to the Company's existing UK portfolio.

The Company acquired a 51% stake in Singapore-based security company Frontline Security Pte. Ltd in November 2015 and the remaining 49% stake in May 2018 for a maximum consideration of SGD 3.5 million.

**Learn more about Mortice through this video interview with Manjit Rajain, Executive Chairman of Mortice:** www.brrmedia.co.uk/broadcasts/57c94e8cd6c09fd74b0ae623/mortice-unlocking-potential

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

## Chairman's Statement

### Overview

This has been a year of transformation for Mortice Limited, set against a challenging and, at times, a difficult UK market back drop. The Indian market has continued to grow strongly, however the UK market proved to be more challenging, which adversely affected the cost of supplying contracts.

Our industry is undergoing a significant change. We, too, must change and learn to adapt if we are to meet our customers' evolving needs. After restoring our ability to generate consistent returns, we are now well positioned to look to the future with confidence.

### Results

Revenue grew by 21% to $219m (FY 2017: $181m) and a solid result in the first year of transformation, reflecting the good quality of our core business, our market-leading positions and the strength of our broad offering. Security services sales were up 20% to $118m, while facilities management revenues rose 22% to $101m. The Company's geographical revenue mix was the same as the prior year, with 64% of revenue coming from India, 31% from the UK, and 5% from Singapore.

Adjusted EBITDA was down by 9% to $9.6m (FY 2017: $10.5m) caused by the increase in the cost of supplying contracts, particularly in the UK and Singapore, in addition to investment made into our core capabilities and customer service. Adjusted profit before tax was down 29% to $3.9m.

Net debt stood at $18.4m, from $13.5m from the previous year. A large proportion of this increase ($3.12m) was due to additional debt taken on to fund the acquisition of 2.33 million shares from UK vendors of O&G in October 2017 and fund raised for elite acquisition 1.4 million USD.

### Indian Market

India's security services market is estimated to grow from INR650 billion in FY18 to INR970 billion in FY20 (E), a CAGR of 20%.

The Peregrine division of the Company, representing the guarding segment of the Group has grown revenue by 23% and EBITDA has grown by 7% followed by PBT at 10%. This remains ahead of the overall Indian market.

The facilities management ("FM") market in India is expected to grow from INR100 billion in FY15 to INR252 billion in FY20 (E), a CAGR of 20%. Hard services are expected to grow from INR40 billion in FY15 to INR104 billion in FY20 (E), a CAGR of 21%. Cleaning services are expected to grow from INR31 billion in FY15 to INR81 billion in FY20 (E), a CAGR of 22%.

The Group's FM segment has grown revenue by 30% and EBITDA has grown by 8% followed by PBT at 22%, which represents a faster growth than the overall Indian market.

**UK Market**

Outsourcing and, more specifically, Facilities Management, is a more established industry where the early benefits derived from economies of scale and expertise have now, largely, been eroded away. Third, fourth and even fifth generation contracts have resulted in low margins for providers and few cost "give-aways" for customers. However, technology and scale remain opportunities for the sector and what has become clear is that these need to be delivered in tandem with a wholesale industry-wide correction in the pricing of risk; contracts need to correctly account for price, quality, certainty and timeliness of delivery. The challenges faced by almost every other industry participant, as well as the failure of many other individual contracts to be delivered on budget, on time or at the quality required, show that wholesale sector recalibration is needed for the economics of FM to continue to be sustainable.

Whilst revenue in the UK business grew by 23%, it was primarily due to the Elite acquisition as O&G Like-for-like revenue dropped by 9%. Additionally, given the tougher market environment and the struggles of some key counterparties in the last twelve months, the cost of delivering contracts has been temporarily affected. This can be seen in the EBITDA margins of the UK subsidiaries, Elite operated at an EBITDA margin of 8% and O&G at 0.57% (FY 2017 is at 4.02%). The Group is taking significant corrective action in order to ensure a more profitable and sustainable margin in this changing and challenging environment. Shareholders should also note that ~~The~~ the Group's largest UK contract, worth in excess of $10m in annual revenues, is due to expire on 31 October 2018. The Group will provide an update on the status of this engagement when appropriate and regardless ~~has lost one of its largest UK contracts, University College of London (UCL) representing almost 18% of UK revenue with effect from October 2018, however~~ the Group ~~has planned to compensate this loss over the next two years with~~continues to pursue the various business activities in the pipeline. The Group remains focused on cost and bidding discipline and remains highly active in bidding for appropriate contracts and expects a return to like-for-like growth from its UK operations in the medium term.

**Singapore Market**

Singapore revenue in the Security segment amounts to US$14m in 2018. Revenue is expected to show an annual growth rate (CAGR 2018-2022) of 20.1%, resulting in a market volume of US$30m by 2022. Household penetration is 3.7% in 2018 and is expected to hit 8.8% by 2022. The average revenue per Smart Home in the Security segment currently amounts to US$297.

Revenue has dropped by 4% and EBITDA is at US$[1.4m$], reflecting a margin of 14.54% (FY 2017 is at 19.75%). This reduction in margin was caused both by the fall in revenues, reducing margin together with increased overhead cost, particularly salaries.

**Strategy Focus**

Our determination to focus on customers is now front and center of everything we do. One example is the work of our outstanding Group Strategy Task Force. Building on its contribution to Group Strategy, in 2018 the Task Force worked with our Executive Committee to develop a Group purpose and core values. These inform our customers, in a clear and simple way, why we are relevant to them and how we continue to improve or client service, through:

*Delivering sustainably*

Our customers expect us to deliver our services in a sustainable manner, which we are committed to doing and we remain cognizant of our corporate responsibility.

*Learning from our customers*

No business today can afford to take customer relationships for granted. To anticipate and respond to customers' needs, we start by listening to them.

*The importance of our people*

An organization can only succeed if it is able to attract and retain talented, skilled and motivated individuals. I am grateful to all our employees for their contribution, ideas and hard work. To make sure we continue to have the right people in the right roles, and to help them to further develop, we are constantly looking at ways to support them

**Outlook**

It has been a year of good progress at Mortice, though not without its challenges. The magnitude of the internal restructuring and the number of things that have needed to be addressed are far more significant than was earlier anticipated by the Board. As the growth in the Security & Facilities Management sector stabilizes at what the Board believes will be approximately 20% in India, I am confident that Mortice is increasingly well placed to be an active and significant participant in the future of the industry.

**Manjit Rajain**

**Chairman**

22nd Aug 2018

*Extracts from the audited financial statements are provided, below, and the full version of the audited financial statements will be available on the Company's website:* www.morticegroup.com*. The Annual Report for the year-ended 31 March 2018 will be posted to shareholders in due course.*

**Mortice Limited**
**and its subsidiaries**

## Consolidated statement of financial position as at 31 March 2018

| | Notes | 2018 US$ | 2017 US$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 4 | **11,179,407** | 9,720,662 |
| Other intangible assets | 5 | **9,557,385** | 6,411,934 |
| Property, plant and equipment | 6 | **3,720,191** | 2,953,720 |
| Long-term financial assets | 7 | **1,524,252** | 1,337,279 |
| Deferred tax assets | 8 | **2,579,392** | 2,598,885 |
| Other non-current assets | 9 | **4,898,034** | 4,081,526 |
| | | **33,458,661** | 27,104,006 |
| **Current assets** | | | |
| Inventories | 10 | **698,381** | 438,262 |
| Trade and other receivables | 11 | **51,380,040** | 42,185,000 |
| Cash and cash equivalents | 12 | **4,192,791** | 3,559,410 |
| | | **56,271,212** | 46,182,672 |
| **Total assets** | | **89,729,873** | 73,286,678 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued capital | 13 | **12,915,135** | 15,740,501 |
| Reserves | 14 | **6,042,972** | 3,825,281 |
| Equity attributable to owner of parent | | **18,958,107** | 19,565,782 |
| **Non-controlling interests** | | **3,265,468** | 2,706,558 |
| **Total equity** | | **22,223,575** | 22,272,340 |
| **Non-current liabilities** | | | |
| Employee benefit obligations | 15 | **2,138,105** | 1,965,728 |
| Deferred tax liabilities | 8 | **1,720,117** | 1,308,997 |
| Borrowings | 16 | **7,460,800** | 3,684,822 |
| | | **11,319,022** | 6,959,547 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **39,946,303** | 29,962,605 |
| Employee benefit obligations | 15 | **1,086,284** | 750,108 |
| Borrowings | 16 | **15,154,689** | 13,342,078 |
| | | **56,187,276** | 44,054,791 |
| **Total liabilities** | | **67,506,298** | 51,014,338 |
| **Total equity and liabilities** | | **89,729,873** | 73,286,678 |

The annexed notes form an integral part of and should be read in conjunction with these consolidated financial statements.

Mortice Limited
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## Consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 March 2018

| | Notes | 2018 US$ | 2017 US$ |
|---|---|---|---|
| **Income** | | | |
| Service revenue | | **219,261,614** | 181,011,783 |
| Other income | 18 | **2,068,797** | 1,479,799 |
| **Total income** | | **221,330,411** | 182,491,582 |
| **Expenses** | | | |
| Staff and related costs | | **186,172,069** | 152,205,744 |
| Materials consumed | | **12,992,733** | 9,377,877 |
| Other operating expenses | | **11,530,774** | 10,563,674 |
| Depreciation and amortization | | **3,089,506** | 2,257,034 |
| Finance costs | 19 | **2,979,193** | 2,734,778 |
| **Total expenses** | | **216,764,275** | 177,139,107 |
| Profit before taxation | | **4,566,136** | 5,352,475 |
| Taxation | 20 | **(1,200,091)** | (1,943,228) |
| **Profit for the year** | | **3,366,045** | 3,409,247 |
| **Other comprehensive income net of tax:** | | | |
| **- Items that will not be reclassified subsequently to profit or loss** | | | |
| Re-measurement in net defined benefit liability | | **26,081** | (59,493) |
| **- Items that may be reclassified Subsequently to profit or loss** | | | |
| Currency translation differences | | **336,607** | 138,317 |
| **Total comprehensive income for the year** | | **3,728,733** | 3,488,071 |
| **Profit attributable to:** | | | |
| - Owners of the parent | | **2,840,371** | 2,629,329 |
| - Non-controlling interests | | **525,674** | 779,918 |
| | | **3,366,045** | 3,409,247 |
| **Total comprehensive income attributable to:** | | | |
| - Owners of the parent | | **3,169,823** | 2,690,121 |
| - Non-controlling interests | | **558,910** | 797,950 |
| | | **3,728,733** | 3,488,071 |
| **Earnings per share** | | | |
| Basic and diluted | 21 | **0.05** | 0.05 |

The annexed notes form an integral part of and should be read in conjunction with these consolidated financial statements.

**Mortice Limited**
**and its subsidiaries**

## Consolidated statement of changes in equity for the financial year ended 31 March 2018

| | Equity Capital US$ | Exchange Translation Reserve US$ | Retained earnings US$ | Total attributable to owners of the parent US$ | Non-controlling interests US$ | Total equity US$ |
|---|---|---|---|---|---|---|
| Balance at 1 April 2016 | 13,068,612 | (3,598,396) | 4,733,556 | 14,203,772 | 1,908,608 | 16,112,380 |
| **Transaction with owners** | | | | | | |
| Issue of new equity | 2,671,889 | - | - | 2,671,889 | - | 2,671,889 |
| **Profit for the year** | **-** | - | 2,629,329 | 2,629,329 | 779,918 | 3,409,247 |
| **Other comprehensive income** | | | | | | |
| Exchange differences on translating foreign operations | - | 119,979 | - | 119,979 | 18,338 | 138,317 |
| Re-measurement of net defined benefit liability | - | - | (59,187) | (59,187) | (306) | (59,493) |
| Total comprehensive income | - | 119,979 | **2,570,142** | **2,690,121** | **797,950** | **3,488,071** |
| **Balance at 31 March 2017** | **15,740,501** | **(3,478,417)** | **7,303,698** | **19,565,782** | **2,706,558** | **22,272,340** |
| Balance at 1 April 2017 | **15,740,501** | **(3,478,417)** | **7,303,698** | **19,565,782** | **2,706,558** | **22,272,340** |
| **Transaction with owners** | | | | | | |
| Issue of new equity | 274,157 | - | - | 274,157 | - | 274,157 |
| Buy back of equity | (3,099,523) | - | - | (3,099,523) | - | (3,099,523) |
| Dividend Paid | - | - | (952,132) | (952,132) | - | (952,132) |
| **Profit for the year** | - | - | 2,840,371 | 2,840,371 | 525,674 | 3,366,045 |
| **Other comprehensive income** | | | | | | |
| Re-measurement of net defined benefit liability | - | - | 26,081 | 26,081 | - | 26,081 |
| Exchange differences on translating foreign operation | - | 303,371 | - | 303,371 | 33,236 | 336,607 |
| Total comprehensive income | - | **303,371** | **2,866,452** | **3,169,823** | **558,910** | **3,728,733** |
| **Balance at 31 March 2018** | **12,915,135** | **(3,175,046)** | **9,218,018** | **18,958,107** | **3,265,468** | **22,223,575** |

The annexed notes form an integral part of and should be read in conjunction with these consolidated financial statements.

**Mortice Limited**
**and its subsidiaries**

## Consolidated statement of cash flows for the financial year ended 31 March 2018

| | Note | 2018 US$ | 2017 US$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **4,566,136** | 5,352,475 |
| Adjustments for non-cash item: | | | |
| Depreciation and amortization | | **3,089,506** | 2,257,034 |
| Interest expense | 19 | **2,979,193** | 2,734,778 |
| Interest income | 18 | **(302,957)** | (235,281) |
| Loss on disposal of property, plant and equipment | | **(20,265)** | 14,923 |
| Impairment of trade receivables | | **489,452** | 585,839 |
| Foreign exchange loss/(gain) | | **(1,054,108)** | 1,508,760 |
| Bad-debts written off | | **28,704** | - |
| Operating profit before working capital changes | | **9,775,661** | 12,218,528 |
| Increase in inventories | | **(184,588)** | (33,098) |
| Increase in trade and other receivables | | **(10,240,145)** | (6,386,351) |
| Increase/ (decrease) in trade and other payables | | **8,450,578** | (344,181) |
| Cash generated from operations | | **7,801,506** | 5,454,898 |
| Income taxes paid | | **(1,617,394)** | (2,309,059) |
| **Net cash generated from/(used in) operating activities** | | **6,184,112** | 3,145,839 |
| **Cash flows from investing activities** | | | |
| Acquisition of other intangible assets | 5 | **(37,667)** | (226,806) |
| Acquisition of property, plant and equipment | 6 | **(499,507)** | (858,940) |
| Acquisition of subsidiary (net of cash acquired) | | **(2,324,607)** | - |
| Dissolution of subsidiary | | **(101,805)** | - |
| Deposit for purchase of property | | **(853,264)** | (15,566) |
| Proceeds from disposal of property, plant and equipment | | **143,540** | 8,004 |
| Interest received | | **1,084,190** | 817,266 |
| **Net cash used in investing activities** | | **(2,589,120)** | (276,042) |
| **Cash flows from financing activities** | | | |
| Repayment of finance lease obligations | | **(233,980)** | (649,196) |
| Placement of pledged fixed deposit | | **(205,420)** | (459,961) |
| Proceeds from short-term demand loans from banks | | **1,252,991** | (2,998,041) |
| Repayment of short term demand loans from bank | | **(544,144)** | - |
| Proceed from bank loan | | **3,882,381** | - |
| Repayment of bank loan | | **(170,136)** | |
| Proceeds from other bank borrowings | | **949,609** | 3,702,392 |
| Dividend paid | | **(952,132)** | - |
| Proceeds from issue of share capital | | **274,157** | 2,671,889 |
| Buyback of shares | | **(3,099,523)** | - |
| Interest paid | | **(3,338,232)** | (3,310,765) |
| **Net cash used in financing activities** | | **(2,184,429)** | (1,043,682) |
| Net increase in cash and cash equivalents | | **1,410,563** | 1,826,115 |
| Cash and cash equivalents at beginning | | **3,559,410** | 1,610,019 |
| Exchange differences on translation | | **(777,182)** | 123,276 |
| **Cash and cash equivalents at end** | 12 | **4,192,791** | 3,559,410 |

The annexed notes form an integral part of and should be read
in conjunction with these consolidated financial statements.

**Notes to the consolidated financial statements for the financial year ended 31 March 2018**

1 **Introduction**

Mortice Limited ('the Company' or 'Mortice') was incorporated on 9 January 2008 as a public limited company in Singapore. The Company's registered office is situated at 38, Beach Road, #29-11 South Beach Tower, Singapore-189767.

The consolidated financial statements of the Company and of the Group for the year ended 31 March 2018 were authorized for issue in accordance with a resolution of the directors on the date of the statement by Directors.

The Company is listed on the Alternative Investment Market (AIM) of the London Stock Exchange since 15 May 2008. The principal activities of the Company consist of investment holding. The Group's operations are spread across India, United Kingdom and Singapore. The various entities comprising the Group have been defined below:

| **Name of subsidiaries** | **Country of incorporation** | **Effective group shareholding (%)** |
|---|---|---|
| Held by Mortice Limited | | |
| Tenon Facility Management India Private Limited *(formerly Tenon Property Services Private Limited)* | India | 99.48 |
| Tenon Facility Management UK Limited | United Kingdom | 100 |
| Tenon Facility Management Singapore Pte Limited | Singapore | 100 |
| Tenon Property Services Lanka Private Limited (Liquidated on 04 December 2017) | Sri Lanka | 0 |
| Held by Tenon Facility Management India Private Limited *(formerly Tenon Property Services Private Limited)* | | |
| Peregrine Guarding Private Limited ('PGPL') | India | 100 |
| Tenon Support Services Private Limited ('Tenon Support') | India | 100 |
| Tenon Project Services Private Limited ('Tenon Project') | India | 100 |
| Roto Power Projects Private Limited ('Roto') | India | 99.95 |
| Soteria Command Centre Private Limited ('Soteria') | India | 100 |
| Held by Tenon Facility Management UK Limited | | |

| | | |
|---|---|---|
| Tenon Facility Management Limited<br>*(formerly Office and General Group Limited)* | United Kingdom | 100 |
| Elite cleaning & Environmental Services Ltd. (Acquired on 21 April 2017) | United Kingdom | 100 |
| <u>Held by Tenon Facility Management Singapore Pte Limited</u> | | |
| Frontline Security Pte Limited | Singapore | 51 |

1 **Introduction (Cont'd)**

These audited consolidated financial statements were approved by the Board of Directors on August 21, 2018.

The immediate and ultimate holding company is Mancom Singapore Pte. Ltd., a Company incorporated in Singapore.

## 2 Basis of preparation

### 2.1 General information and statement of compliance with IFRS

The Consolidated financial statements for the year ended 31 March 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. The consolidated financial statements have been prepared under the historical cost convention on a going concern basis.

The consolidated financial statements are presented in United States Dollars which is the Company's functional currency. All the financial information is presented in United States Dollars ("US$"), unless otherwise stated.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

**<u>Significant accounting estimates and judgements</u>**

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

## 2.2 Significant judgments in applying accounting policies

Income tax (Note 20)
The Group has exposure to income taxes in numerous jurisdictions. Significant judgments are required in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group's income tax expense is based on the income and statutory tax rate imposed in the tax jurisdictions in which the subsidiaries conduct operations.

Deferred tax assets (Note 8)
The Group recognizes deferred tax assets on carried forward tax losses to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income and that the Group is able to satisfy the continuing ownership test. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. 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. The taxes rules in India, United Kingdom, and Singapore, in which, the Group operate are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.
During the year, the Group recognized shareholdings of certain group entities, for which a deferred tax asset (net of deferred tax liabilities) amounting to US$ 859,275 (2017 - US$ 1,289,888) was recognized based on the anticipated future use of deferred tax asset carried forward by those entities. If the tax authority regards the group entities as not satisfying the continuing ownership test, the deferred tax asset will have to be written off as income tax expense.

**Key estimates and assumptions used in purchase price allocation on acquisition of Elite Cleaning & Environmental Services Limited (Note 3)**

The key assumptions applied in the purchase price allocation in arriving at the fair value of the assets acquired and liabilities assumed are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using weighted average cost of capital and intangible specific risk premium as per industry standards. The growth rates are based on industry growth forecasts and Country's GDP growth rate. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The carrying amount as at 31 March 2018 was disclosed in Note 3 to the consolidated financial statements.

**Critical accounting estimates and assumptions used in applying accounting policies**
**Impairment tests for cash-generating units containing goodwill (Note 4)**

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to business segments as follows:

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Mechanical and engineering maintenance services | | |
| - Roto Power Projects Private Limited | **780,488** | 782,961 |
| - Tenon Facility Management Limited<br>*(formerly Office & General Environment)* | **7,570,304** | 6,655,764 |
| -Elite Cleaning &Environmental Services Limited | **396,935** | - |
| Guarding services | | |
| - Frontline Security Pte Limited | **2,431,680** | 2,281,937 |
| | **11,179,407** | 9,720,662 |

## 2.2 Significant judgments in applying accounting policies (Cont'd)

**Critical accounting estimates and assumptions used in applying accounting policies (cont'd)**

**Impairment tests for cash-generating units containing goodwill (Note 4) (Cont'd)**

The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimate rates stated in Note 4 to the consolidated financial statements:

The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

These assumptions have been used for the analysis of the CGU. Management determines the budgeted gross margin based on past performance and its expectations for market developments. The weighted average growth rates used were consistent with industry reports. The discount rates used pre-tax and reflect specific risks relating to the relevant segments.

The carrying amount as at 31 March 2018 was disclosed in Note 4 to the consolidated financial statements.

**Depreciation of property, plant and equipment (Note 6)**

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 3 to 5 years. The carrying amount of the Group's property, plant and equipment as at 31 March 2018 is US$ 3,720,191 (2017 – US$ 2,953,720). Changes in the expected level of usage and technological developments could impact the economic lives and residual value of these assets, therefore depreciation charges could be revised.

**Impairment of trade and other receivables (Note 11)**

The Group assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables at the end of the reporting period is disclosed in Note 11 to the consolidated financial statements.

**Valuation of gratuity benefits and long term compensated absences (Note 15)**

The present value of the post-employment gratuity benefits depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for gratuity benefits include the standard rates of inflation and salary increase. Any changes in these assumptions will impact the carrying amount of gratuity benefits and long term compensated absences.

**2.2 Significant judgments in applying accounting policies (cont'd)**
**<u>Critical accounting estimates and assumptions used in applying accounting policies (cont'd)</u>**

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity benefits. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related gratuity benefits.

Please refer to Note 15 for details on actuarial assumptions used to estimate the Group's defined benefit obligations and the sensitivity analysis of the assumptions. The carrying amount as at 31 March 2018 was disclosed in Note 15 to the financial statements.

**2.3 New and revised standards that are effective for annual periods beginning on or after 1 January 2017**

**Amendments to IAS-7, '*Statements of Cash Flows*'**

Amendments to IAS-7, 'Statements of Cash Flows', effective 1 January 2017, require the Group to provide disclosures about the changes in liabilities from financing activities. The Group categorizes those changes into changes arising from cash flows and non-cash changes with further sub-categories as required by IAS 7.

**Amendment to IAS 12 '*Income Taxes*'**

The amendments in Recognition of Deferred Tax Assets for unrealized loss clarify the following aspects:
Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred assets of the same type.

The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

**2.4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED BY THE GROUP.**

Summarized in the paragraphs below are standards, interpretations or amendments that have been issued prior to the date of approval of these consolidated financial statements and will be applicable for transactions in the Group but are not yet effective. These have not been adopted early by the Group and accordingly, have not been considered in the preparation of the consolidated financial statements of the Group.

Management anticipates that all of these pronouncements will be adopted by the Group in the first accounting period beginning after the effective date of each of the pronouncements. Information on the new standards, interpretations and amendments that are expected to be relevant to the Group's consolidated financial statements is provided below.

**IFRS 9 *Financial Instruments Classification and Measurement***

In July 2014, the IASB completed its project to replace IAS 39, Financial Instruments: Recognition and Measurement by publishing the final version of IFRS 9: Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new guidance regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks.
The new standard is effective for annual reporting periods beginning on or after 1 January 2018, while early application is permitted. The effect on adoption of IFRS 9 on the consolidated financial statements is insignificant.

**IFRS 15 *Revenue from contracts with customers***

IFRS 15 supersedes all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations). According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 establishes a five step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligation; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard permits the use of either the retrospective or cumulative effect transition method. The effective date for adoption of IFRS is annual period beginning on or after 1 January 2018. The effect on adoption of IFRS 15 on the consolidated financial statements is insignificant.

**IFRS 16 *Leases***

On 13 January 2016, the International Accounting Standards Board issued the final version of IFRS 16, Leases. IFRS 16 will replace the existing leases Standard, IAS 17 Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessees. The effective date for adoption of IFRS 16 is annual periods beginning on or after 1 January 2019, though early adoption is permitted for companies applying IFRS 15 Revenue from Contracts with Customers. The management is currently evaluating the impact that this new standard will have on its consolidated financial statements.

**2.5 Significant accounting policies**

Overall considerations

The consolidated financial accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. The consolidated financial statements have been prepared on a going concern basis. The measurement bases are described in the accounting policies below.

**Consolidation**

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 1 to the consolidated financial statements.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealized gains on transactions between group entities are eliminated. Unrealized losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interest comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

**Business combinations**

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is an instrument and within the scope of IAS 39 *Financial Instrument: Recognition and Measurement*, is measured at fair value with the changes in fair value recognized in the statement of profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognized. Amounts previously recognized in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognized in profit or loss.

Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognized in a separate reserve within equity attributable to the equity holders of the Company.

**Goodwill**

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognized separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2010. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognized in profit or loss on disposal.

**Functional currencies**

Items included in the consolidated financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of all the subsidiaries within the Group located in India, United Kingdom, Singapore is Indian Rupees (INR), Great Britain Pounds, and Singapore Dollars respectively.

For the purpose of consolidation, management has chosen to present the consolidated financial information in US$, which is the functional currency of the Company.

**Conversion of foreign currencies**

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognized in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognized in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit & loss within "finance cost". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Group entities

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of reporting period of that statement of financial position;
(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
(iii) All resulting currency translation differences are recognized in other comprehensive income and accumulated in the exchange translation reserve.

**Other intangible assets**

The Group's other intangible assets include licence, externally acquired customer relationships, brands and which are further described in Note 5 to the consolidated financial statements.

License

licenses acquired are initially recognized at cost and are subsequently carried at cost less accumulated amortization and accumulated impairment losses. License is amortized on a straight line basis over 10 years, which is considered the useful life of the asset.

Customer relationships

The customer relationships have been acquired as part of a business combination and thus have been recognized at the fair value at the date of acquisition.

These relationships have been amortized on a straight line basis over ten years, which is considered the useful life of the asset.

Brands

The brand was acquired as part of the business combination and thus has been recognized at the fair value at the date of acquisition.

Management considers the life of the brand generated at the time of acquisition of Roto Power Projects Private Limited to be indefinite. The brand will not be amortized until its useful life is determined to be finite. It is tested for impairment annually and whenever there is an indication that it may be impaired.

Management considers the life of the brand generated at the time of acquisition of Tenon Facility Management Limited *(formerly Office and General Group Limited)*, Frontline Securities Pte Limited & Elite Cleaning &Environmental Services Limited to be five years.

Internally developed software

Expenditure on the research phase of projects to develop new customized software is recognized as an expense as incurred. Costs that are directly attributable to a project's development phase are recognized as intangible assets, provided they meet the following recognition requirements:

(i) the development costs can be measured reliably
(ii) the project is technically and commercially feasible
(iii) the Group intends to and has sufficient resources to complete the project
(iv) the Group has the ability to use or sell the software
(v) the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs

This software will be amortized on a straight line basis over five years, which is considered the useful life of the asset.

Any capitalized internally developed software that is not yet complete is not amortized but is subject to impairment testing. Subsequent expenditure on the maintenance of computer software is expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss within other income or other expenses.

**Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated using the straight-line method to allocate their depreciable amount over their useful lives as follows:

| | |
|---|---|
| Computers | 3 years |
| Office equipment | 5 years |
| Plant and machinery | 5 years |
| Furniture and fixtures | 5 years |
| Vehicles | 5 years |
| Leasehold improvements | 3 years |

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Capital work-in-progress is not depreciated until the assets are completed and ready for intended use. Subsequent expenditure relating to property, plant and equipment that have been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognized as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the day of acquisition to the day before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at each reporting date as a change in estimates.

**Financial assets**

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognized on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognized at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognized at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

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

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

As at 31 March 2018, the Group has loans and receivables on the statements of financial position. The Group does not designate any financial assets as held-to-maturity investments, financial assets at fair value through profit or loss and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group and the Company provide money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include cash and bank balances, trade and other receivables, long-term and short-term financial assets. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The impairment or write back is recognized in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis, and includes all costs in bringing the inventories to their present location and condition. Provision is made of obsolete, slow-moving and defective inventories in arriving at the net realizable value.

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

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, in current accounts and deposits accounts with an original maturity of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of any pledged bank deposits.

**Equity capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the equity capital account.

**Financial liabilities**

The Group's and the Company's financial liabilities include bank borrowings, employee benefit obligations, trade and other payables.

Financial liabilities are recognized when the Group and the Company become a party to the contractual agreements of the instrument. All interest-related charges are recognized as an expense in "finance cost" in the profit or loss. Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings are recognized initially at the fair value less attributable transaction costs, if any.

Borrowings are subsequently stated at amortized cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortized cost over the period of the borrowings using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Borrowings which are due to be settled within 12 months after the end of reporting date are included in current borrowings in the statement of financial position. Even though the original term was for a period longer than 12 months, an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of reporting date. Borrowings to be settled within the Group's operating cycle are classified as current. Other borrowings due to be settled more than 12 months after the end of reporting date are included in non-current borrowings in the statement of financial position.

**Trade and other payables**

Payables, which represent the consideration for goods and services received, whether or not billed to the Group and the Company, are initially measured at fair value plus transaction costs, and subsequently measured at amortized cost, using the effective interest method. Payables include trade and the other payables in the statement of financial position.

**Leases**

*Where the Group is the lessee,*

Finance leases

Where assets are financed by lease agreements that transfers risks and rewards incidental to ownership, the assets are capitalized as if they had been purchased outright at values equivalent to the lower of the fair value of the leased assets and the present value of the total minimum lease payments determined at the inception of the lease. The corresponding lease commitments are included under liabilities except for any initial direct costs of the lessee that are added to the amount recognized as an asset. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortized over each lease term to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on finance leases).

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals on operating lease are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognized as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognized in the profit or loss when incurred.

**Income taxes**

Current income tax for the current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting date.

Deferred tax is recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred tax liability is recognized on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

Deferred tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognized as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognized either in other comprehensive income or directly in equity. Deferred tax arising from a business combination affects goodwill on acquisition.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

**Employee benefits**

The Company and the Group participates in the defined contribution plan as provided by the laws of the countries in which it has operations and defined benefit plan.

<u>Defined contribution plan</u>

A defined contribution plan is a plan under which the Group pays fixed contributions into an independent fund administered by the government. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Group contributes to a state-run provident fund according to eligibility of the individual employees. The contributions recognized in respect of defined contribution plans are expensed as they fall due.

<u>Defined benefit plan</u>

The defined benefit plans sponsored by the Group defines the amount of the benefit that an employee will receive on completion of services by reference to length of service and last drawn salary. The legal obligation for any benefits remains with the Group. The Group's defined benefit plans include amounts provided for gratuity obligations.

The liability recognized in the statement of financial position of a defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

Management estimates the present value of the DBO annually through valuations by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows based on management's assumptions.

The estimate of its post-retirement benefit obligations is based on standard rates of inflation and mortality. Discount rate is based upon the market yield available on high quality corporate bonds at the reporting date with a term that matches that of the liabilities and the salary increase taking into account inflation, seniority, promotion and other relevant factors.

Service cost and interest expense on the net defined benefit liability is included in employee benefits expense.

Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Short-term employee benefits

Short term benefits comprising of employee costs such as salaries, bonuses, and paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Group.

The liability in respect of compensated absences becoming due or expected to be available within one year from the reporting period are considered short term benefits and are recognized on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be available to the employees.

Long-term employee benefits

The liability for employee's compensated absences which become due or expected to be available after more than one year from the reporting date are considered long term benefits and are recognized through valuation by an independent actuary using the projected unit credit method at each reporting date. Actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through statement of profit and loss in the period in which they occur.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors of the Company and certain directors of subsidiaries are considered key management personnel.

**Impairment of non-financial assets**

The carrying amounts of the Company's and the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not available for us are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value, reflecting market conditions less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognized for the asset no longer exists or decreases.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.
- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognized as an expense in the profit or loss, a reversal of that impairment loss is recognized as income in the profit or loss.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognized in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of reporting period.

**Related party**
A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and 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 Group or Company or of a parent of the Company.
b) An entity is related to the Group and the Company if any of the following conditions applies:

i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii) both entities are joint ventures of the same third party.
iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
vi) the entity is controlled or jointly controlled by a person identified in (a);
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).

Related parties may be individuals or corporate entities.

The Group's related parties include subsidiaries, key management, and entities over which the key management are able to exercise significant influence. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

**Revenue recognition**
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts, and after eliminating sales within the Group. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

The Group recognizes revenue when the specific criteria for each of the Group's activities are met as follows:

Rendering of services
Revenue from guarding and provision of facility management and other manpower services is recorded net of trade discounts, rebates and applicable taxes and is recognized upon performance of services and when there is a reasonable certainty regarding collection at the fair value of the consideration received or receivable.

Revenue from contracts with customers
In respect of installation projects which overlap two reporting periods, revenue is recognized based on the percentage of project completion method. Percentage completion of the project is determined by comparing actual cost incurred till reporting date to the estimate of total cost for completion of the project.

Sale of goods
Revenue from sale of goods is recognized when all the significant risks and rewards of ownership are transferred to the buyer and the Company retains no effective control of the goods transferred to a degree usually associated with ownership; and no significant uncertainty exists regarding the amount of the consideration that will be derived from sale of goods.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income
Interest income is recognized on a time-apportioned basis using the effective interest method.

**Operating segments**

In identifying its operating segments, management follows the Group's service lines, which represent the main products and services provided by the Group, as reported to the Group Chief Executive.

The activities undertaken by the Guarding segment includes the provision of guarding services. Facility management services are undertaken by the Facility Management segment. The activities undertaken in respect sale and installation of safety equipment do not meet the quantitative thresholds under IFRS 8 and thus have been disclosed under the segment 'Others'.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements. Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

## 3 Acquisitions in 2017-18

**Elite Cleaning &Environmental Services Limited (Elite)**

On 21 April 2017, Tenon Facility Management UK Limited, a wholly-owned subsidiary of Mortice, group acquired the 100% voting interest in Elite Cleaning & Environmental Services Limited (Elite) a London-based property services company. The business acquisition was conducted by entering into a share purchase agreement for a cash consideration of GBP 3,350,000 (equivalent USD 4,290,681) and 1,458,333 new ordinary shares of Mortice Limited (initial consideration shares) issued to the vendor at guaranteed price of GBP 1.20. The earn-out consideration was estimated to be GBP 1,000,000 subject to meeting the conditions as specified in the share purchase agreement.

The vendor shall not be entitled to sell, transfer or otherwise disposed of the consideration share at any time prior to 31 March 2019 (lock in period). The vendor shall be entitled to an option to sell the consideration shares to Mortice Limited for GBP 1.2 per share during the period of 3 months following the expiry of lock in period.

**Assets acquired and liabilities assumed**

| | Elite Cleaning & Environmental Services Limited (Elite) |
|---|---:|
| **Assets acquired** | |
| Property, plant and equipment | 651,249 |
| Intangible assets | 3,786,438 |
| Inventories | 77,281 |
| Trade and other receivables | 2,381,699 |
| Cash and cash equivalents | 1,966,074 |
| Other assets | 1,599,442 |
| **Total assets** | **10,462,183** |
| **Liabilities acquired** | |
| Other liabilities (including deferred tax) | 2,651,551 |
| Trade and other payables | 527,749 |
| **Total liabilities** | **3,179,300** |
| **Identifiable net assets at fair value** | **7,282,883** |
| **Goodwill on acquisition** | 358,352 |
| **Purchase consideration transferred** | **7,641,235** |
| **Purchase Consideration** | |
| Consideration transferred settled in cash | 4,290,681 |
| Fair value of put option | 2,183,532 |
| Fair value of contingent consideration | 1,167,022 |
| **Total consideration** | |

| | |
|---|---|
| | **7,641,235** |

Analysis of cash flow on acquisitions

| | Elite Cleaning & Environmental Services Limited (US $) |
|---|---|
| Transaction cost of acquisition (included in cash flow from operating activities) | 173,697 |
| Net cash acquired (Included in cash flow from investing activities) | 1,966,074 |

The fair value of trade receivables and other receivable amounted to US$ 2,381,699. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

Deferred tax liability amounted to US$ 604,557 have been recognized on the fair value of intangible assets acquired.

The goodwill of US$ 358,352 comprised of value of expected synergies arising from acquisition which was not separately recognized. The goodwill accounted on acquisition of Elite Cleaning & Environmental Services Limited was entirely allocated to facility management Goodwill recognized on acquisition is not expected to be deductible for tax purposes.

The fair value measurement was based on significant input that is not observable in the market. The fair value estimate based on;

- Annual discount rate of 15.4%.
- Terminal value based on the long term sustainable growth rate for the industry is 2%.

Contingent consideration is payable after completion of earn out period i.e. 31 March 2018. The consideration shall be reduced by the greater of:

- The percentage by which the Revenue is less than GBP 11,200,000 in the earn out period; or
- The percentage by which EBITDA is less than GBP 1,000,000 in the earn out period.

The contingent consideration could range between GBP Nil to GBP 1,000,000 depending on achieving the target as stated above.

From the date of acquisition Elite Cleaning & Environmental Services Limited contributed $17,461,288 of revenue and profit after tax $940,314 for the year ended 31 March 2018. If the combination had taken place at 1 April 2017 revenue from continuing operations would have been $ 18,473,536 and the profit after tax for the year ended 31 March 2018 would have been $ 994,825

## 4 Goodwill

The movements in the net carrying amount of goodwill are as follows:

| | 2018 | 2017 |
|---|---|---|
| Gross carrying amount | **US $** | **US $** |
| Balance 1 April 2017 | **9,720,662** | 10,778,246 |
| Acquired through business combination | **358,352** | - |
| Net exchange difference | **1,100,393** | (1,057,584) |
| Balance 31 March 2018 | **11,179,407** | 9,720,662 |
| | | |
| Accumulated impairment | **-** | - |
| Carrying amount at 31 March 2018 | **11,179,407** | 9,720,662 |

Impairment testing of goodwill

For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises, as follows:

| | 2018 | 2017 |
|---|---|---|
| | **US $** | US $ |
| Guarding Services | **2,431,680** | 2,281,939 |
| Facilities Management | **8,747,727** | 7,438,723 |
| | **11,179,407** | 9,720,662 |

The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The recoverable amount of each operating segment is set out below:

| | 2018 | 2017 |
|---|---|---|
| | **US $** | US $ |
| Guarding Services | **18,092,568** | 14,492,229 |
| Facilities Management | **28,256,330** | 35,975,530 |

Key assumptions used for value-in-use calculations: (Year 2018)

| Segment | Tenon Facility Management Limited *(formerly Office and General Group Limited (O&G)* Facilities Management | Frontline Security Pte. Limited Guarding Services | Roto Power Projects Private Limited Facilities Management |
|---|---|---|---|
| | **2018** | **2018** | **2018** |
| Net margin (1) | **2%-3%** | **10%-12%** | **5%-7%** |
| Annual Growth rate (2) | **3%-6%** | **15%** | **15%** |
| Long term Growth rate (2) | **1.7%** | **2%** | **5%** |
| Discount rate (3) | **10.68%** | **14.05%** | **19.95%** |

Key assumptions used for value-in-use calculations: (Year 2017)

| Segment | Tenon Facility Management Limited (*formerly Office and General Group Limited (O&G)* Facilities Management | Frontline Security Pte. Limited Guarding Services | Roto Power Projects Private Limited Facilities Management |
|---|---|---|---|
| | 2017 | 2017 | 2017 |
| Net margin (1) | 2%-3% | 12%-14% | 5%-7% |
| Annual Growth rate (2) | 9%-10% | 4%-5% | 6%-10% |
| Long term Growth rate (2) | 2% | 2% | 5% |
| Discount rate (3) | 10% | 12% | 20% |

1) Budgeted net margin based on past experience in the market.
2) Forecasted growth rate based on management estimation derived from past experience and external source of information available.
3) Pre-tax discount rate applied to the pre-tax cash flow projections based on management's estimates of the risks specific to the business.

These assumptions were used for the analysis of the CGU within the operating segment. Management determined budgeted net margin based on past performance and its expectations of the market developments. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

As at 31 March 2018, goodwill in respect of the acquisition of Roto Power Projects Private Limited, Tenon Facility Management Limited *(formerly Office and General Group Limited)*, Elite Cleaning &Environmental Services Limited and Frontline Securities Pte Limited was not impaired

## 5 Other intangible assets

| | Brands | Customer Relationships | License | Software | Assets under development | Total |
|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ |
| **Cost** | | | | | | |
| Balance as at 1 April 2016 | 3,254,073 | 5,406,629 | 86,231 | - | 318,108 | 9,065,041 |
| Addition during the year | - | - | 386 | 544,529 | 226,420 | 771,335 |
| Disposals/Transfers | - | - | - | - | (544,529) | (544,529) |
| Translation adjustment | (439,320) | (717,375) | 1,988 | 7331 | 1 | (1,147,375) |
| **Balance as at 31 March 2017 and 1 April 2017** | **2,814,753** | **4,689,254** | **88,605** | **551,860** | **-** | **8,144,472** |
| Addition during the year | - | - | 22,293 | 15,374 | - | 37,667 |
| Addition due to acquisition | 1,683,997 | 2,102,442 | - | - | - | 3,786,439 |
| Translation adjustment | 516,185 | 780,560 | (280) | (1,744) | - | 1,294,721 |
| Balance as at 31 March 2018 | **5,014,935** | **7,572,256** | **110,618** | **565,490** | - | **13,263,299** |
| **Accumulated amortization** | | | | | | |
| Balance as at 1 April 2016 | 344,084 | 347,890 | 13,409 | - | - | 705,383 |
| Amortization during the year | 575,751 | 480,434 | 8,263 | 52,788 | - | 1,117,236 |
| Translation adjustment | (50,828) | (40,148) | 388 | 507 | - | (90,081) |
| **Balance as at 31 March 2017 and 1 April 2017** | **869,007** | **788,176** | **22,060** | **53,295** | **-** | **1,732,538** |
| Amortization during the year | 914,418 | 693,781 | 9,842 | 103,601 | - | 1,721,642 |
| Translation adjustment | 141,113 | 111,900 | (160) | (1,119) | - | 251,733 |
| Balance as at 31 March 2018 | **1,924,538** | **1,593,857** | **31,742** | **155,777** | - | **3,705,914** |
| **Carrying value** | | | | | | |
| At 31 March 2017 | **1,945,746** | **3,901,078** | **66,545** | **498,565** | **-** | **6,411,934** |
| **At 31 March 2018** | **3,090,397** | **5,978,399** | **78,876** | **4,09,713** | **-** | **9,557,385** |

Customer relationships are determined to have a finite life and are amortized on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life of customer relationships is 10 years.

Management considers the life of the brand generated at the time of acquisition of Roto Power Projects Private Limited to be indefinite. The brand will not be amortized until its useful life is determined to be indefinite. It is tested for impairment annually and whenever there is an indication that it may be impaired. The carrying value of brand is US$ 44,790 (2017– US$ 44,932).

Management considers the life of the brand generated at the time of acquisition of Tenon Facility Management Limited *(Office and General Group Limited)*, Elite Cleaning & Environmental Services Limited and Frontline Security Pte Limited to be five years. The carrying value of brand is US$ 3,045,607 (2017 – US$ 1,900,814).

The recoverable amount of brands is assessed together with the recoverable amount of goodwill in Note 4 as they relate to the same CGU. As at 31 March 2018, the carrying amount of brands is not impaired.

Amortization and impairment charge, if any are included in the statement of profit or loss.

## 6 Property, plant and equipment

| Cost | Computers US$ | Office Equipment US$ | Plant and Machinery US$ | Furniture and fixtures US$ | Leasehold Improvements US$ | *Vehicles US$ | Capital work-in-progress US$ | Total US$ |
|---|---|---|---|---|---|---|---|---|
| At 1 April 2016 | 760,753 | 1,304,513 | 2,721,607 | 724,464 | 148,032 | 2,953,603 | - | 8,612,972 |
| Acquisition through business combination | | | | | | | | |
| Addition during the year | 46,225 | 154,525 | 484,746 | 27,351 | 30,600 | 525,905 | - | 1,269,352 |
| Disposals | - | | - | - | - | (120,660) | - | (120,660) |
| Translation adjustment | 16,314 | (133,135) | (137,402) | 22,028 | 4,477 | (219,012) | - | (446,730) |
| **At 31 March 2017 and 1 April 2017** | **823,292** | **1,325,903** | **3,068,951** | **773,843** | **183,109** | **3,139,836** | **-** | **9,314,934** |
| Business acquisition | | | 419,824 | 12,559 | 24,312 | 194,553 | | 651,248 |
| Addition during the year | 81,522 | 155,001 | 419,798 | 17,833 | 44,278 | 684,317 | 13,629 | 1,416,378 |
| Disposals | - | (3) | - | - | - | (381,693) | - | (381,696) |
| Translation adjustment | (83,239) | 149,479 | 298,834 | 31,577 | 2,418 | 279,655 | (125) | 678,599 |
| **At 31 March 2018** | **821,575** | **1,630,380** | **4,207,407** | **835,812** | **254,117** | **3,916,668** | **13,504** | **11,679,463** |
| Accumulated depreciation and Impairment | | | | | | | | |
| At 1 April 2016 | 426,052 | 954,449 | 1,833,451 | 503,156 | 102,795 | 1,807,069 | - | 5,626,972 |
| Charge for the year | 156,254 | 121,262 | 356,567 | 67,259 | 19,871 | 418,585 | - | 1,139,798 |
| Disposals | - | - | - | - | - | (97,733) | - | (97,733) |
| Translation adjustment | 13,264 | (105,984) | (107,949) | 19,752 | 3,060 | (129,966) | - | (307,823) |
| **At 31 March 2016 and 1 April 2017** | **595,570** | **969,727** | **2,082,069** | **590,167** | **125,726** | **1,997,955** | **-** | **6,361,214** |
| Charge for the year | 112,240 | 132,059 | 490,177 | 60,716 | 43,966 | 528,704 | - | 1,367,862 |
| Disposals | - | - | - | - | - | (258,422) | - | (258,422) |
| Translation adjustment | (50,747) | 161,585 | 154,668 | 26,140 | 1,975 | 194,997 | - | 488,618 |
| **At 31 March 2018** | **657,063** | **1,263,371** | **2,726,914** | **677,023** | **171,667** | **2,463,234** | **-** | **7,959,272** |
| Net book value | | | | | | | | |
| At 31 March 2017 | 227,722 | 356,176 | 986,882 | 183,676 | 57,383 | 1,141,881 | - | 2,953,720 |
| **At 31 March 2018** | **164,512** | **367,009** | **1,480,493** | **158,789** | **82,450** | **1,453,434** | **13,504** | **3,720,191** |

* The net book value of motor vehicles acquired under finance leases for the Group amounted to US$ 1,022,161 (2017 – US$ 453,100). Bank borrowings are secured on property, plant & equipment of the Group with carrying amounts of US$ 466,913 (2017- US$ 409,796). (Note 16.2)

## 7 Long-term financial assets

| | 2018 | 2017 |
|---|---|---|
| | **US$** | US$ |
| Restricted cash | | |
| - Due not later than one year | **1,518,102** | 1,331,110 |
| - Due later than one year | **6,150** | 6,169 |
| | **1,524,252** | **1,337,279** |

Restricted cash represents fixed deposits held with banks to secure bank guarantees in favour of customers with respect to the Group's activities for continuing contracts. The weighted average effective interest rate of long-term financial assets is 7% (2017 - 7.48%) per annum.

The carrying amount of restricted cash due not later than one year approximates its fair value. The carrying amount of restricted cash due later than one year in prior year approximated its fair values because the directors expected the market interest rate available to the Group for restricted cash as at 31 March 2018 and 31 March 2017 to be similar. The restricted cash is in the nature of long term financial assets since these are margin money with the customer and bank which are related to the performance obligation.

## 8 Deferred tax assets (net)

Deferred tax assets and liabilities are offsetted when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

| | 2018 | 2017 |
|---|---|---|
| | **US$** | US$ |
| **Movements in deferred income tax account are as follows:** | | |
| Balance at beginning | **1,289,888** | 615,026 |
| Transfer from | | |
| - Profit or loss | **200,109** | 572,636 |
| - Exchange adjustment | **(26,165)** | 102,226 |
| - Business acquisition | **(604,557)** | |
| **Balance at end** | **859,275** | 1,289,888 |
| Deferred tax assets | **2,579,392** | 2,598,885 |
| Deferred tax liabilities | **(1,720,117)** | (1,308,997) |
| | **859,275** | 1,289,888 |

Deferred taxes arising from temporary differences and unused tax losses can be summarized as follows:

| | At 1 April 2017 | Recognized in profit or loss | Recognized in business combination | Recognized in other comprehensive income | At 31 March 2018 |
|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ |
| Deferred tax asset | | | | | |
| Excess of net book value over tax written down value of property, plant and equipment | 250,813 | 36,083 | - | - | 286,896 |
| Retirement benefits and other employee benefits | 930,754 | 120,786 | - | (12,821) | 1,038,720 |
| Unutilised tax losses | 309,709 | (41,788) | - | - | 267,921 |
| Unutilised tax credits | 185,008 | 106,835 | - | - | 291,843 |
| Others | 922,601 | (228,588) | - | - | 694,013 |
| | **2,598,885** | **(6,672)** | **-** | **(12,821)** | **2,579,392** |
| Deferred tax liabilities | | | | | |
| Deficit of net book value over tax written down value of intangible assets | (1,308,997) | 193,437 | (604,557) | - | (1,720,117) |
| | **(1,308,997)** | **193,437** | **(604,557)** | | **(1,720,117)** |

| | At 1 April 2016 | Recognized in profit or loss | Recognized in business combination | Recognized in other comprehensive income | At 31 March 2017 |
|---|---|---|---|---|---|
| Deferred tax assets | US$ | US$ | US$ | US$ | US$ |
| Excess of net book value over tax written down value of qualifying property, plant and Equipment | 207,418 | 43,395 | - | - | 250,813 |
| Retirement benefits and other employee benefits | 551,759 | 330,993 | - | 48,002 | 930,754 |
| Unutilised tax losses | 468,491 | (158,782) | - | - | 309,709 |
| Unutilised tax credits | 178,672 | 6,336 | - | - | 185,008 |
| Others | 742,661 | 179,940 | - | - | 922,601 |
| | **2,149,001** | **401,882** | **-** | **48,002** | **2,598,885** |
| Deferred tax liabilities | | | | | |
| Deficit of net book value over written down value of intangible assets | (1,533,965) | 224,968 | - | - | - (1,308,997) |
| | (1,533,965**)** | 224,968 | **-** | - | - (1,308,997) |

Deferred income tax asset on unutilized tax loss is recognized to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilized.

Unutilized tax credits pertains to minimum alternate tax credit entitlement which is a new tax credit scheme where minimum tax computed and paid can be carried forward to offset against regular tax payable in subsequent year, subject to certain conditions. Others pertain mainly to provision of doubtful debts.

Deferred tax assets have not been recognized in respect of the following items:

| | **2018** | 2017 |
|---|---|---|
| | **US$** | US$ |
| Tax losses | **291,755** | 290,781 |
| Deferred tax assets in respect of tax losses | **80,386** | 89,851 |

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the entities operate. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of tax losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

Unrecognized taxable temporary differences associated with investments in subsidiaries

Deferred tax liabilities of US$ 2,318,272 (2017 - US$ 1,801,642) have not been recognized for withholding and other taxes that will be payable on the earnings of the overseas subsidiaries. The Group is able to controls the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

## 9 Other non-current assets

| | **2018** | 2017 |
|---|---|---|
| | **US$** | US$ |
| Advance for property under development | **306,866** | 283,396 |
| Capital advance | **821,060** | 609,775 |
| Tax asset | **3,770,108** | 3,188,355 |
| | **4,898,034** | 4,081,526 |

Advance for property under development represents advance paid for construction of apartment under development in Gurgaon. The amount will be capitalized as part of property, plant and equipment upon completion of the transaction.

Tax asset represents tax deducted at source/ advance tax deposited by the company net off provision for income tax for which assessment proceedings are pending with tax authorities.

## 10 Inventories

| | **2018** | 2017 |
|---|---|---|
| | **US$** | US$ |

| | | |
|---|---|---|
| Consumables | **698,381** | 438,262 |

Consumables represent uniforms, material and equipment such as tools used under installation at customer sites. No inventory write downs or reversals are recognized in the periods reported above.

## 11 Trade and other receivables

| | | 2018 US$ | 2017 US$ |
|---|---|---|---|
| **Trade receivables** | | **45,708,181** | 33,580,249 |
| Less impairment of trade receivables: | | | |
| Balance at beginning | | **2,195,088** | 1,572,997 |
| Adjusted against debtor | | **(345,530)** | - |
| Provision written back | | **(46,123)** | - |
| Charge for the year | | **489,451** | 585,839 |
| Translation adjustment | | **21,753** | 36,252 |
| Balance at end | | **2,314,639** | 2,195,088 |
| **Net trade receivables** | . | **43,393,542.** | **31,385,161** |
| | | | |
| **Other receivables/assets** | | | |
| Unbilled billings | | **4,377,469** | 7,439,943 |
| Advances to third parties | | **965,216** | 1,093,561 |
| Staff loans | | **430,615** | 303,349 |
| Deposits | | **749,508** | 647,400 |
| Prepayments | | **1,072,806** | 1,028,495 |
| Others | | **390,884** | 287,091 |
| | (ii) | **7,986,498** | 10,799,839 |
| | (i) + (ii) | **51,380,040** | 42,185,000 |

The advances to related parties are interest-free, unsecured and receivable on demand. The advances to third parties mainly pertain to advances paid on rent, construction work-in-progress and suppliers of petrol. Included in prepayments are advances to vendors and prepaid insurance. The deposits pertain to security deposits recoverable from customers.

Unbilled billings represent the contract revenue for services rendered but not yet invoiced due to the timing of the accounting invoicing cycle.

Trade receivables are usually due within 30 to 90 days and do not bear any effective interest rate.
All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers. Impairment of trade receivables is made when certain debtors are identified to be irrecoverable.
The credit risk for trade and other receivables based on the information provided by key management is as follows:

| | 2018 | 2017 |
|---|---|---|

| | US$ | US$ |
|---|---|---|
| By geographical area | | |
| India | **38,911,048** | 31,750,640 |
| Sri Lanka | **-** | 839 |
| United Kingdom | **9,954,543** | 7,796,569 |
| Singapore | **2,514,449** | 2,636,952 |
| | **51,380,040** | 42,185,000 |

(i) Financial assets that are past due but not impaired

The ageing analysis of trade receivables past due but not impaired is as follows:

| | 2018 US$ | 2017 US$ |
|---|---|---|
| Not past due | **14,156,127** | 11,614,008 |
| Past due 0 to 3 months | **22,242,555** | 14,398,720 |
| Past due 3 to 6 months | **2,560,510** | 2,192,755 |
| Past due over 6 months | **4,434,350** | 3,179,678 |
| | **43,393,542** | 31,385,161 |

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due but not impaired. These receivables are mainly arising by customers that have a good credit record with the Group.

ii) Trade receivables that are past due and/or impaired

The carrying amount of trade receivables individually determined to be impaired is as follow:

| The Group | 2018 US$ | 2017 US$ |
|---|---|---|
| Gross amount | **2,314,639** | 2,195,088 |
| Provision for impairment losses | **(2,314,639)** | (2,195,088) |
| | **-** | - |

The impaired trade receivables arise mainly from specific debts for which the directors of the Group are of the opinion that the debts are not recoverable.

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Ageing analysis of other receivables

| | Not past due US$ | Past due 0 to 3 months US$ | Past due 3 to 6 months US$ | Past due over6months US$ |
|---|---|---|---|---|
| Unbilled billings | 4,377,469 | - | - | - |
| Advances to third parties | - | 965,216 | - | - |
| Staff loans | - | 430,615 | - | - |
| Deposits | 411,310 | - | 338,198 | - |
| Prepayments | - | 912,544 | 160,262 | - |
| Others | - | 390,484 | - | - |

31 March 2017

Ageing analysis of other receivables

| | Not past due | Past due 0 to 3 months | Past due 3 to 6 months | Past due over6months |
|---|---|---|---|---|
| | US$ | US$ | US$ | US$ |
| Unbilled billings | 7,439,943 | - | - | - |
| Advances to third parties | - | 1,093,561 | - | - |
| Staff loans | - | 303,349 | - | - |
| Deposits | 324,055 | - | 323,346 | - |
| Prepayments | - | 342,156 | 349,664 | 336,675 |
| Others | - | 287,091 | - | - |

## 12 Cash and cash equivalents

| | **2018** | 2017 |
|---|---|---|
| | **US$** | US$ |
| Cash at banks | **4,133,913** | 3,477,444 |
| Cash in hand | **58,878** | 81,966 |
| | **4,192,791** | 3,559,410 |

## 13 Equity capital

| | **No. of ordinary shares** | | **Amount** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | | | **US$** | US$ |
| Issued and fully paid, with no par value | | | | |
| Balance at beginning of year | **53,772,207** | 50,700,001 | **15,740,501** | 13,068,612 |
| Addition | **1,978,333** | 3,072,206 | **274,157** | 2,671,889 |
| Buy Back | **(2,333,100)** | - | **(3,099,523)** | - |
| Balance at end of year | **53,417,440** | 53,772,207 | **12,915,135** | 15,740,501 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

According to share purchase agreement dated 7 September 2015 with respect to acquisition of 100% voting interest in Tenon Facility Management Limited *(Office & General Group Limited)*, the vendor was entitled to sell 66.67 percent of the initial consideration shares on completion of the second anniversary and the remaining initial consideration shares on completion of the third anniversary at a price of GBP 1. Pursuant to this, on completion of second anniversary, the vendor has sold 2,333,100 shares i.e. 66.67 percent shares to the Company at GBP 1.

## 14 Reserves

| | **2018** | 2017 |
|---|---|---|
| | **US$** | US$ |
| Currency translation reserve | **(3,175,046)** | (3,478,417) |
| Retained earnings | **9,218,018** | 7,303,698 |
| | **6,042,972** | 3,825,281 |

Currency translation reserve arises from the translation of the financial statements of foreign entities whose functional currencies are different from the functional currency of the Company.

## 15 Employee benefit obligations

Long term employee benefit obligations comprise the gratuity and long-term compensated absences. These are summarised as under:

| | 2018 | 2017 |
|---|---|---|
| | **US$** | US$ |
| Gratuity benefit plan (Note 15.1) | **2,357,527** | 1,981,570 |
| Compensated absences (Note 15.2) | **866,862** | 734,266 |
| | **3,224,389** | 2,715,836 |
| | | |
| Non-current | **2,138,105** | 1,965,728 |
| Current | **1,086,284** | **750,108** |
| | **3,224,389** | **2,715,836** |

The estimate of its defined benefit liabilities at 31 March 2018, 2017, 2016, 2015, 2014 and 2013 are US$3,224,389, US$ 2,715,836, US$ 2,038,067 US$ 1,381,446, US$ 943,786 and US$ 735,948 respectively and are based on standard rates of inflation and mortality.

### 15.1 Gratuity benefit plan

In accordance with applicable Indian laws, the Group provides for gratuity, a defined benefit retirement plan ("the Gratuity Plan") covering eligible employees. The Gratuity Plan provides for a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment of amounts that are based on last drawn salary and tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation by each of the companies. The Group does not have an obligation to fund under the gratuity benefit plan.

The plan exposes the Group to actuarial risks such as interest rate risk, inflation risk and change in compensation level.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and it is denominated in Indian Rupees. A decrease in market yield on high quality corporate bonds will increase the Group's defined benefit liability.

Inflation risk

A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's liability.

Compensation level

The Group is required to provide benefits upon retirement or resignation of its members after completing a service of 5 years with the Group. The benefits are computed based on the last drawn salary of the members. Increase in compensation level will increase the defined benefit liability.

The expense for the year and the liability as at year end in respect of the Group on account of the above plan is given below:

Reconciliation of gratuity benefit plan

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| A. Change in benefit obligation | | |
| Actuarial value of projected benefit obligation (PBO) (Opening balance) | **1,981,570** | 1,472,119 |
| Interest cost | **146,443** | 116,351 |
| Service cost | **601,230** | 426,109 |
| Past service cost | **3,481** | - |
| Benefits paid | **(198,621)** | (190,386) |
| Re-measurement- actuarial loss | **(38,902)** | 107,495 |
| Translation adjustment | **(137,674)** | 49,882 |
| PBO at the end of year (Closing balance) | **2,357,527** | 1,981,570 |

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| B. Amounts recognized in profit or loss | | |
| Current service cost | **586,037** | 426,109 |
| Interest cost | **146,443** | 116,351 |
| Past service cost | **3,481** | - |
| Expense recognized in profit or loss | **735,961** | 542,460 |

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| C. Amounts recognized in other comprehensive income | | |
| Actuarial gain from changes in demographic assumptions | **(15,289)** | - |
| Actuarial gain from changes in financial assumptions | **(23,824)** | 25,212 |
| Experience adjustment | **212** | 82,283 |
| | **(38,902)** | 107,495 |
| Taxation (Note 8) | **12,821** | 48,002 |
| Total income recognized in other comprehensive income net of tax | **(26,081)** | 59,493 |

All the expenses summarized above were included within items that will not be reclassified subsequently to profit or loss in other comprehensive income.

The significant actuarial assumptions were as follows:

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| (i) Financial assumptions | | |
| - Discount rate (per annum) | **7.8%** | 8% |
| - Rate of increase in compensation levels (per annum) | **4.5%-5%** | 4.5%-5% |

| | | |
|---|---|---|
| (ii) Demographic assumptions | | |
| - Retirement age | **58 years** | 58 years |
| - Mortality percentage | | |
| 20 years - 50 years | **0.09%-0.49%** | 0.09%-0.49% |
| 50 years - 58 years | **0.49%-1.15%** | 0.49%-1.15% |

These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to each year-end by reference to market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The present value of the defined benefit obligation was measured using the projected unit credit method.

(iii) The sensitivity of the gratuity benefit plan to changes in the weighted principal assumptions is:

| | Impact on defined benefit liability | | |
|---|---|---|---|
| | Change in assumption | Increase in Assumption | Decrease in Assumption |
| | | US$ | US$ |
| Discount rate | 0.50% | 8,420 | (7,897) |
| Compensation level | 0.50% | 22,375 | (21,983) |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the gratuity benefit plan to significant actuarial assumptions, the same method (present value of the gratuity on retirement calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity benefit liability recognized within the statements of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Based on historical data, the Group expected payout is US$ 714,955 in 2017-18 (US$ 523,759 in 2016-17).

### 15.2 Compensated absences

The entities within the Group have either accumulating or non-accumulating compensated absences policies for employees working under the guarding and facilities management services. The cost of non-accumulating absences is charged to profit or loss. The Group measures the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the statement of financial position. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method, where the present value of the defined benefit obligation is determined by discounting the estimated future cash outflows based on assumptions developed by the management. The discount rate is based upon the market yield available on high quality corporate bonds at the end of reporting period, which have a term that matches that of the liabilities. Other assumptions used in the valuation include an estimate of the salary increases, which takes into account inflation, seniority, promotion and other relevant factors. The liability with respect to long term employee benefits in respect of compensated absences for the year ended 31 March 2018 is US$ 866,862 (2017- US$ 734,266).

### 15.3 Provident fund benefit

Apart from being covered under the Gratuity Plan described earlier, employees of the Group also participate in a provident fund plan. The Provident Fund (being administered by a trust) is a defined contribution scheme whereby the Group deposits an amount determined as a fixed percentage of basic pay to the fund every month. The benefit vests upon commencement of employment. The Group does not have any further obligation in the plan beyond making such contributions. Upon retirement or separation, an employee becomes entitled for this lump sum benefit, which is paid directly to the concerned employee by the fund. The Group contributed US$ 7,529,789 and US$ 6,398,926 to the provident fund plan, during the year ended 31 March 2018 and 31 March 2017, respectively.

The contribution to the provident fund is included as part of the staff and related costs as shown in the face of the consolidated statement of profit or loss and other comprehensive income.

## 16 Borrowings

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| **Non-current** | | |
| Obligations under finance leases (Note 16.1) | **472,313** | 407,480 |
| Bank loan (Note 16.2) | **6,988,487** | 3,277,342 |
| | **7,460,800** | 3,684,822 |
| **Current** | | |
| Obligations under finance leases (Note 16.1) | **779,358** | 578,515 |
| Current portion of bank loan (Note 16.2) | **4,554** | 378,354 |
| Demand loans from bank (Note 16.2) | **4,562,850** | 3,490,076 |
| Other bank borrowings (Note 16.2) | **9,807,927** | 8,895,133 |
| | **15,154,689** | 13,342,078 |
| Total borrowings | **22,615,489** | 17,026,900 |

## 16.1 Obligations under finance leases

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Minimum lease payments payable: | | |
| Due not later than one year | **834,030** | 605,419 |
| Due later than one year and not later than five years | **530,840** | 421,776 |
| Due later than five years | **8,943** | 22,428 |
| | **1,373,813** | 1,049,623 |
| Less: | | |
| Finance charges allocated to future periods | **(122,142)** | (63,629) |
| Present value of minimum lease payments | **1,251,671** | 985,994 |

Represented by:

| | 2018 | 2017 |
|---|---|---|

| | US$ | US$ |
|---|---|---|
| Present value of minimum lease payments: | | |
| Due not later than one year | **779,358** | 578,515 |
| Due later than one year and not later than five years | **463,628** | 386,530 |
| Due later than five years | **8,685** | 20,949 |
| Present value of minimum lease payments | **1,251,671** | 985,994 |

The interest rate ranges from 4% to 11.75% (2017 - 4% to 12.79%) per annum.

### 16.2 Bank borrowings

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| **Non-current:** | | |
| **Bank loan** | | |
| Amounts repayable after one year | **6,988,487** | 3,277,342 |
| **Current:** | | |
| **Other bank borrowings** | | |
| Current portion of bank loans | **4,554** | 378,354 |
| Demand loans | **4,562,850** | 3,490,076 |
| Bank overdraft/cash credit payable on demand- secured | **9,807,927** | 8,895,133 |
| Amounts repayable within one year | **14,375,331** | 12,763,563 |
| Total | **21,363,818** | 16,040,905 |

(i) The weighted average effective interest rate for the bank loan are within range 3.75% to 10.40% (2017 – 3.75% to 11.75%) per annum.

The interest rate for bank overdraft/cash credit and demand loans are within the range of 9.20% to 12.70% (2017 – 11.00% to 11.10%) per annum. Interests are repriced on an annual basis.

The exposure of the bank borrowings of the Group to interest rate changes is as follows:

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| At fixed rates | **4,236,462** | 5,151,573 |
| At floating rates | **17,127,356** | 10,889,332 |
| | **21,363,818** | 16,040,905 |

(ii) The bank overdrafts/cash credit payable on demand and demand loans are repayable over the next one to five year.

- Exclusive charge on all the current assets amounting to US$ 45,129,170 (2017 - US$ 35,051,406) and movable fixed assets amounting to US$ 466,913 (2017 - US$ 409,796) both present and future.
- Unconditional and irrevocable personal guarantee of Manjit Rajain - Key managerial person

(iii) The non-current bank loan is secured against the apartment under development in Gurgaon. (Note 9).

**16.3 Carrying amounts and fair values**

(a) Fair values of borrowings

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of non-current borrowings are as follows:

| | Carrying amounts US$ | Fair Values US$ |
|---|---|---|
| **2018** | | |
| Obligations under finance leases | **472,313** | 472,313 |
| Bank loan | **6,988,487** | 6,988,487 |
| 2017 | | |
| Obligations under finance leases | **407,480** | 407,480 |
| Bank loan | **3,277,342** | 3,277,342 |

The fair values above are determined from the discounted cash flow analysis, discounted at market borrowing rates (per annum) of an equivalent instrument at the end of reporting period which the directors expect to be available to the Group as follows:

| | **2018 US$** | 2017 US$ |
|---|---|---|
| Obligations under finance leases | **4%-11.75%** | **4%-11.75%** |
| Bank loan | **3.75% to 10.40%** | **3.75% to 10.40%** |

(b) The amount repayable within one year is included under current liabilities whilst the amount repayable after one year is included under non-current liabilities.

**16.4 Changes in financing liabilities arising from cash and non-cash changes:**

| **Particulars** | **1 April 2017** | **Cash flows** | **Non- cash changes** | | | **(US$) 31 march 2018** |
|---|---|---|---|---|---|---|
| | | | Asset taken on lease | Foreign exchange movement | Other | |
| Obligation under finance lease | 985,995 | (233,980) | 498,804 | 852 | - | 1,251,671 |
| Bank loan | 3,277,342 | 37,12,245 | - | 3,454 | - | 6,993,041 |
| Demand loan from bank | 3,868,430 | 708,847 | - | (14,427) | - | 4,562,850 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other bank borrowing | 8,895,133 | 949,609 | - | (36,815) | - | 9,807,927 |
| Financial liability measured at fair value | 332,245 | - | - | (2,838) | 3,155,809 | 3,485,216 |

## 17 Trade and other payables

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Trade payables | | |
| Third parties | **4,962,327** | 6,396,900 |
| Accruals | **3,694,369** | 2,580,937 |
| | **8,656,696** | 8,977,837 |
| Other payables | | |
| Salaries payable | **15,976,140** | 12,567,111 |
| Advances from customers | **2,141,838** | 2,408,533 |
| Statutory dues payables | **7,162,853** | 4,124,746 |
| Tax payable | **1,220,955** | 847,311 |
| Advances from related parties | **10,471** | 12,174 |
| Contingent consideration | **1,292,134** | 692,648 |
| Put option liability | **3,485,216** | 332,245 |
| | **39,946,303** | 29,962,605 |

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the statements of financial position to be reasonable approximation of their fair values.

Related parties include key management and their spouse and entities over which key management are able to exercise control. Advances from related parties are unsecured and repayable on demand. Interest rate for advances from related parties is 12.75% (2017 - 12.75%) per annum.

Statutory dues payables consist mainly of provident funds, employee state insurance, services tax and miscellaneous business related tax.

Put option liability represents present value of liability recognized with respect to an option to sell the consideration shares at GBP 1.2 per share available with the vendor of Elite and also the remaining option to sell the consideration shares at GBP 1 per share available with the vendor of Tenon Facility Management Limited *(formerly Office & General Group Limited).*

Further details of liquidity risks on trade and other payables are disclosed in Note 25.2 to the consolidated financial statements.

## 18 Other income

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Interest income | **302,957** | 235,282 |
| Vehicle hire charges | **50,932** | 99,183 |
| Gain from re-measurement of financial liability | **-** | 696,455 |
| Miscellaneous income | **1,617,974** | 448,879 |
| Gain on dissolution of subsidiary* | **96,934** | - |
| | **2,068,797** | 1,479,799 |

Miscellaneous income includes grant income received, training income and provision/ liability written back.

* On 4 December 2017, Company has liquidated one of its subsidiary company Tenon Property Services Lanka Private Limited. The amount represents net assets value of the subsidiary company on the date of liquidation.

## 19 Finance costs

| | 2018 US$ | 2017 US$ |
|---|---|---|
| Interest on bank overdrafts and cash credit payable | **1,208,417** | 744,834 |
| Interest on bank loan and demand loan | **580,023** | 277,155 |
| Interest on finance leases | **49,183** | 31,301 |
| Other finance charges | **699,955** | 296,415 |
| Interest on delayed payment | **441,615** | 1,385,073 |
| | **2,979,193** | 2,734,778 |

Further details of interest rate are disclosed in Note 16.1 and Note 16.2 to the financial statements.

## 20 Taxation

| | 2018 US$ | 2017 US$ |
|---|---|---|
| Current taxation | **1,413,021** | 2,515,864 |
| Deferred taxation | **(212,930)** | (572,636) |
| | **1,200,091** | 1,943,228 |

The major components of tax expense and the reconciliation of the expected tax expense based on the tax rates as applicable in the respective tax jurisdictions and the reported tax expense in profit or loss are as follows:

| | 2018 US$ | 2017 US$ |
|---|---|---|
| Profit before taxation | **4,566,136** | 5,352,475 |
| Tax at domestic rates as applicable in the countries concerned | **1,629,228** | 1,659,501 |
| Tax effect on non-deductible expenses | **517,669** | 99,211 |
| Change in tax rate | **(76,587)** | (929) |
| (Over)/Under provision of current tax and deferred tax of earlier years | **9,316** | 51,472 |
| Deferred tax assets not recognized on account of losses in subsidiaries | **9,419** | 86,836 |
| Tax effect of exempt income | **(898,205)** | - |
| Others | **9,251** | 47,137 |
| | **1,200,091** | 1,943,228 |

## 20 Taxation (cont'd)

Income tax is based on the tax rate applicable in various jurisdictions in which the Group operates. The effective tax at the domestic rates applicable to profits in the country concerned as shown in the reconciliation above have been computed by multiplying the accounting profit with the effective tax rate in each jurisdiction in which the Group operates. The individual entity amounts have been aggregated for the consolidated financial statements. The effective tax rate applied in each individual entity has not been disclosed in the tax reconciliation above as the amounts aggregated for individual group entities would not be a meaningful number. The details of statutory tax rates:

| Country | Rate |
|---|---|
| Singapore | 17.00% (previous year - 17%) |
| India | 26%-34.608% (previous year - 34.608%) |
| United Kingdom | 19% (previous year – 20%) |

## 21 Earnings per share

Both the basic and diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue of 53,417,440 (2017 – 53,772,207) shares during the financial year.

| | **2018 US$** | 2017 US$ |
|---|---|---|
| Net profit attributable to equity holders (US$) | 2,840,372 | 2,629,329 |
| Opening number of ordinary shares | 53,772,207 | 50,700,001 |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | 54,268,905 | 51,474,365 |
| Closing number of ordinary shares | 53,417,440 | 53,772,207 |
| Basic and diluted earnings per share (US$ per share) | 0.05 | 0.05 |

For the purpose of calculating diluted earnings per share, profit attributable to owners of the parent of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential shares. As there are no dilutive potential ordinary shares that were outstanding during the year, the basic earnings per share are the same as the diluted earnings per share.

## 22 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the followings significant transactions between the Group and related parties took place at terms agreed between the parties during the financial years ended 31 March 2018 and 31 March 2017:

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Key management personnel and their relatives | | |
| Office rental paid to key management personnel | **264,885** | 253,506 |
| Advance rent paid to key management personnel | **21,280** | 995 |
| Deposits given to key management personnel | **295,184** | 64,776 |
| Sponsorship fees paid to relative of key management personnel | **-** | 128,225 |
| Office rental paid to relatives of managerial personnel | **74,479** | 71,546 |
| Receivable from key management personnel | **295,184** | 64,776 |
| Entities over which key management are able to exercise control: | | |
| Deposits given to related party | **18,349** | 18,407 |
| Operating expenses paid on behalf of related party | **-** | (1,003) |
| Recovery of advances from related party | **-** | 5,478 |
| Office rental paid to related party | **37,240** | 38,754 |
| Commission paid to related party | **35,688** | 34,283 |
| Receivable from related party | **153,450** | 153,936 |

Transactions with key management:

| **Particulars** | **2018**<br>**US$** | 2017<br>US$ |
|---|---|---|
| Remuneration - short-term benefits | **800,720** | 694,304 |
| Remuneration - post-employment benefits | **25,509** | 16,076 |

The outstanding balance payable to related parties under the category of key management as at 31 March 2018 and 31 March 2017 is US$ 98,987 and US$ 59,728 respectively. These have been included under salaries payable under Note 17 to the financial statements.

In addition to the above, the key management personnel participate in the gratuity plan of the Group.

## 23 Commitments

### 23.1 Capital commitments

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Capital expenditure contracted for purchase of property, plant and equipment | **99,707** | 184,804 |
| Capital expenditure contracted for purchase of other intangible assets | **-** | - |

### 23.2 Contractual commitment

The Group has a contractual commitment to pay 2018- US$ 2,653 (2017- US$ 26,123) in future years, for the purpose of purchase of a property (Note 9).

### 23.3 Operating lease commitment – Company as lessee

The Company has entered into commercial leases on certain items of machinery. These leases have an average life of five years, with no renewal option included in the contracts. The Company's lease of land and building are subject to rent review at various intervals specified in the leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 March 2018 are, as follows:

| | 2018 | 2017 |
|---|---|---|
| | USD$ | USD$ |
| **Land and buildings:** | | |
| Within one year | - | - |
| After one year but not more than five year | - | - |
| More than five year | - | - |
| **Other** | | |
| Within one year | 81,113 | 81,113 |
| After one year but not more than five year | 162,226 | 243,339 |
| More than five year | - | - |

### 24 Operating segments

For management purposes, the Group is organized into the following reportable operating segments as follows:

(1) The facility management segment relates to the provision of facility management services.
(2) The guarding service segment relates to the provision of guarding services.
(3) The others segment includes sale and installation of safety equipment which do not meet the quantitative thresholds under IFRS 8.

There are no operating segments that have been aggregated to form the above reportable operating segments.

The Group Chief Executive monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out below, is measured differently from operating profit and loss in the consolidated financial statements.

Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. Group financing and income taxes are managed on a group basis and are not allocated to operating segments.

Sales and transfers between operating segments are carried out at arm's length.

Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

**24 Operating segments (cont'd)**

The following tables present revenue and profit information regarding industry segments for the years ended 31 March 2018 and 2017, and certain assets and liabilities information regarding industry segments as at 31 March 2018 and 2017.

| | Facility management | | Guarding service | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **US$** | US$ | **US$** | US$ | **US$** | US$ | **US$** | US$ |
| **Segment revenue** | **100,316,502** | 82,528,969 | **118,492,238** | 98,195,558 | **452,874** | 287,256 | **219,261,614** | 181,011,783 |
| Depreciation and Amortisation | **2,255,796** | 1,516,652 | **771,056** | 668,773 | **62,654** | 71,609 | **3,089,506** | 2,257,034 |
| Materials consumed | **11,454,606** | 8,206,186 | **1,220,882** | 963,575 | **317,245** | 208,116 | **12,992,733** | 9,377,877 |
| Staff and related costs | **80,961,853** | 66,470,752 | **104,453,074** | 85,223,388 | **157,142** | (8,392) | **185,572,069** | 151,685,748 |
| Other operating Expenses | **3,955,004** | 3,415,542 | **6,800,608** | 5,706,609 | **130,824** | 147,650 | **10,886,436** | 9,269,801 |
| Finance costs | **508,220** | 699,541 | **1,511,354** | 1,548,486 | **10,852** | 4,098 | **2,030,426** | 2,252,125 |
| Segment Cost | **99,135,479** | 80,308,673 | **114,756,974** | 94,110,831 | **678,717** | 423,081 | **214,571,170** | 174,842,585 |
| **Segment operating (loss)/profit before Tax** | **1,181,023** | 2,220,296 | **3,735,264** | 4,084,727 | **(225,843)** | (135,825) | **4,690,444** | 6,169,198 |
| Taxation | **(556,673)** | (827,299) | **(737,579)** | (1,137,633) | **(13,554)** | 108,481 | **(1,307,806)** | (1,856,451) |
| **Segment net (loss)/profit** | **624,350** | 1,392,997 | **2,997,685** | 2,947,094 | **(239,397)** | (27,344) | **3,382,638** | 4,312,747 |
| **Segment assets** | **27,203,241** | 19,416,238 | **38,799,528** | 34,537,288 | **1,125,459** | 943,826 | **67,128,228** | 54,897,352 |
| **Segment liabilities** | **23,412,764** | 19,282,989 | **31,556,487** | 25,709,773 | **698,882** | 1,885,521 | **55,668,133** | 46,878,283 |
| Other segment information: | | | | | | | | |
| Capital expenditure property, plant and Equipment | **611,222** | 824,441 | **739,030** | 550,745 | **168,595** | 24,600 | **1,518,847** | 1,399,786 |
| Other intangible assets | - | 226,420 | **15,374** | | - | 386 | **15,374** | 226,806 |
| Depreciation of property, plant and equipment | **865,815** | 703,467 | **448,910** | 276,508 | **53,137** | 63,548 | **1,367,862** | 1,043,523 |
| Amortisation of other intangible assets | **1,389,979** | 813,210 | **322,146** | 295,964 | **9,517** | 8,061 | **1,721,642** | 1,117,236 |

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in its consolidated financial statements are as follows:

| | 2018 US$ | 2017 US$ |
|---|---|---|
| Segment operating profit before tax | **4,690,444** | 6,169,198 |
| Reconciling items: | | |
| Other income not allocated | **2,068,797** | 1,479,799 |
| Finance cost not allocated | **(948,766)** | (482,653) |
| Other expenses not allocated | **(1,244,339)** | (1,813,869) |
| Group profit before tax | **4,566,136** | 5,352,475 |
| Group profit before tax | **4,566,136** | 5,352,475 |
| Reconciling items: | | |
| Tax expense | **(1,200,091)** | (1,952,228) |
| Group profit after tax | **3,366,045** | 3,409,247 |

| | 2018 US$ | 2017 US$ |
|---|---|---|
| Segment assets | **67,128,228** | 54,897,352 |
| Reconciling items: | | |
| Other assets unallocated | **22,601,645** | 18,389,326 |
| **Total assets** | **89,729,873** | 73,286,278 |

| | 2018 US$ | 2017 US$ |
|---|---|---|
| Segment liabilities | **55,668,133** | 46,878,283 |
| Reconciling items: | | |
| Other liabilities unallocated | **11,838,165** | 4,136,055 |
| **Total liabilities** | **67,506,298** | 51,014,338 |

### 24.1 Geographical segments

Revenue and non-current assets of information based on geographical location of customers and assets respectively are as follows:

| | 2018 US$ | 2017 US$ |
|---|---|---|
| Revenue | | |
| India | **141,278,203** | 115,382,199 |
| United Kingdom | **68,191,571** | 55,465,159 |
| Singapore | **9,791,840** | 10,164,425 |
| | **219,261,614** | 181,011,783 |
| Non-current assets | | |
| India | **9,779,547** | 5,248,769 |
| Sri Lanka | **-** | 660 |
| United Kingdom | **17,347,384** | 12,275,066 |
| Singapore | **3,752,338** | 3,792,271 |

| | | |
|---|---|---|
| | **30,879,269** | 21,316,766 |

All segment revenue and expense is directly attributable to the segments. There is no revenue from transactions with a single external customer that amounts to 10 per cent or more of the Group's revenues. Revenues from external customers have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

## 25 Financial risk management objectives and policies

The Company and the Group financial risk management policies set out the Company's and the Group's overall business strategies and its risk management philosophy. The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk and foreign currency risk. The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance. The Company and the Group do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Company's and the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

There has been no change to the Company's and the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

### 25.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company or the Group to incur a financial loss. The Company's and the Group's exposure to credit risk arises primarily from trade and other receivables and bank deposits.

The Company's and the Group's objective is to seek continual growth while minimizing losses incurred due to increased credit risk exposure.

Exposure to credit risk

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

For trade receivables, the Company and the Group adopt the policy of dealing only with customers of appropriate credit history, and credit control to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties. Cash is held with reputable financial institutions.

As at the end of reporting period, the Group has concentration of credit risk in 5 customers amounting 2018 US$ 4,851,762 (2017 - US$ 3,180,857) representing approximately 11.18% (2017 – 10.50%) of the total trade receivables of US$ 42,329,520 (2017 - US$ 30,288,958).

The Group establishes an allowance that represents its estimates of incurred losses in respect of trade and other receivables. The main components of the allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of

similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial assets are considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial assets.

Further details of credit risks on trade and other receivables are disclosed in Note 11.

**25.2 Liquidity risk**

Liquidity risk is the risk that the Company or the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's and the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses non-derivative financial liabilities of the Company and the Group into relevant maturity groupings based on the remaining period from the date of statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

| | Less than 1 year US$ | Between 2 and 5 years US$ | Over 5 years US$ | Total US$ |
|---|---|---|---|---|
| **At 31 March 2018** | | | | |
| Trade and other payables | **31,562,493** | **-** | **-** | **31,562,493** |
| Borrowings | **15,154,689** | **7,452,118** | **8,682** | **22,615,489** |
| | **46,717,182** | **7,452,118** | **8,682** | **54,177,982** |
| At 31 March 2017 | | | | |
| Trade and other payables | 24,990,549 | - | - | 24,990,549 |
| Borrowings | 13,342,077 | 3,666,256 | 20,949 | 17,029,282 |
| | 38,332,626 | 3,666,256 | 20,949 | 42,019,831 |

The Group manages the liquidity risk by ensuring that there are sufficient cash to meet all their normal operating commitments in a timely and cost-effective manner and having adequate amount of credit facilities. The Company manages the liquidity risk as discussed in Note 2(a).

**25.3 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Company's and the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily form their bank overdraft on which there is floating rates of interest, determined from time to time. All of the Group's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 12 months (201ax-: less than 12 months) from the end of reporting period.

Sensitivity analysis for interest rate risk

Based on the volatility in interest rates in respect of the bank overdraft facility for the previous 12 months, the management estimates a range of 50 basis points to be appropriate. A decrease in market interest rate by 50 basis points, will lead to a decrease in finance cost by US$ 49,040 (2017 - US$ 44,084) resulting in an increase in profit and equity for the year ended 31 March 2018 and an equal and opposite effect in the case of an increase in the interest rates.

All other loans have a fixed rate of interest.

### 25.4 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group operates and sells its products/services in several countries with very minimal foreign currency transactions. As a result, the Group is not exposed to movements in foreign currency exchange rates arising from normal trading transactions.

However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

Sensitivity analysis for foreign currency risk

The financial assets and liabilities are denominated in the following currencies:

| | **2018** | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | **INR** | **SGD** | **GBP** | **US$** | INR | LKR | GBP | US$ |
| Long-term financial assets | **1,524,252** | | | | 1,337,279 | | | |
| Trade and other receivables | **38,911,048** | **2,501,352** | **9,954,543** | **13,097** | 31,750,640 | 839 | 7,796,569 | 12,072 |
| Cash and cash equivalents | **1,983,861** | **1,138,354** | **885,072** | **185,504** | 868,465 | 4,871 | 1,117,050 | 105,069 |
| | **42,419,161** | **3,639,706** | **10,839,615** | **198,601** | 33,956,384 | 5,710 | 8,913,619 | 117,141 |
| Borrowings | **12,869,013** | **-** | **6,042,914** | **3,703,562** | (11,136,147) | - | (5,890,752) | |
| Trade and other payables | **21,255,335** | **2,293,125** | **12,655,615** | **3,742,228** | 16,525,296 | 2,134 | 10,656,252 | 777,245 |
| | **34,124,348** | **2,293,125** | **18,698,529** | **7,445,790** | 39,345,532 | 7,845 | 13,679,119 | 894,386 |

If the INR, GBP and LKR all strengthened against the US$ by 5% (2017 - 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

| | Increase/(Decrease) | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | **Profit net of tax** | **Equity** | Profit net of tax | Equity |
| | **US$** | **US$** | US$ | US$ |
| INR | **(198,680)** | **(198,680)** | 20,056 | 20,056 |
| GBP | **(6,655)** | **(6,655)** | (206,935) | (206,935) |
| SGD | **(141,393)** | **(141,393)** | (109,799) | (109,799) |

If the INR, GBP and LKR weakened against the US$ by 2018-5% (2017 - 5%) with all other variables including tax rate being held constant, it would have had the equal opposite effect on the amounts shown above, on the basis that all other variables remaining constant.

**25.5 Market price risk**

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices.

**26 Capital management**

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;
(b) To support the Group's stability and growth;
(c) To provide capital for the purpose of strengthening the Company's risk management capability;
(d) To provide an adequate return to shareholders; and
(e) To ensure that all externally imposed capital requirements are complied with.

The funding requirements are met through a mixture of equity and other long-term/short-term borrowings. The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group monitors capital on the basis of the carrying amount of equity plus adjusted debts as presented in the statement of financial position. Adjusted debts are defined as total borrowings (excluding trade and other payables) less cash and cash equivalents.

The Group's goal in capital management is to maintain a capital-to-overall financing ratio of 1:2.

Gearing has a significant influence on the Company's and the Group's capital structure and the Company and the Group monitor capital using a gearing ratio. The Group monitors gearing closely but has not set a definite ratio as it depends on the operational and investments requirement of the Group. The gearing ratio is calculated as adjusted debts divided by total capital.

| | **2018** | 2017 |
|---|---|---|
| | **US$** | US$ |
| Total equity | **22,223,575** | 22,272,340 |
| Adjusted debts | **18,422,698** | 13,465,106 |
| Total capital | **40,646,273** | 35,737,619 |
| Gearing ratio | **0.45** | 0.37 |

In order to maintain or adjust the capital structure, the Company and the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce debt.

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

## 27 Financial instruments

Accounting classifications of financial assets and financial liabilities

| | **2018** | 2017 |
|---|---|---|
| | **US$** | US$ |
| **Non-current assets** | | |
| ***Loans and receivables*** | | |
| Long-term financial assets – restricted cash | **1,524,252** | 1,337,279 |
| **Current assets** | | |
| ***Loans and receivables*** | | |
| Trade receivables | **43,393,541** | 31,385,161 |
| Other current assets | **6,913,692** | 9,771,344 |
| Related party receivables | **-** | - |
| Cash and bank balances | **4,192,791** | 3,559,410 |
| **Total loans and receivables** | **56,024,276** | 46,053,194 |
| **Non-current Liabilities** | | |
| **Carrying amount at amortized cost** | | |
| Borrowings | **7,456,246** | 3,684,822 |
| **Current liabilities** | | |
| **Carrying amount at amortized cost** | | |
| Trade payables and other payables | **29,420,655** | 22,582,016 |
| Borrowings | **15,159,243** | 13,342,078 |
| **Total financial liabilities** | **52,036,144** | 39,608,916 |

Fair values

IFRS 13 defines fair value as 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. In estimating the fair value of an asset or a liability, the Group 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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

The carrying amount of financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Group and the Company do not anticipate that the carrying amounts recorded at financial position date would be significantly different from the values that would eventually be received or settled.

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information. The finance team reports directly to the chief financial officer (CFO) and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the Group Finance team at least every year, in line with the Group's reporting dates.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: input other than quoted prices included in level1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on the observable market data (unobservable inputs).

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 March 2018

| **Observable input** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| Put option liability* | - | - | 3,485,216 |
| Contingent consideration | - | - | 1,292,134 |

* Put option liability represents present value of liability recognized with respect to an option to sell the consideration shares at GBP 1.2 per share available with the vendor of Elite and also the remaining option to sell the consideration shares at GBP 1 per share available with the vendor of Tenon Facility Management Limited *(formerly Office & General Group Limited).*

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

| **Observable input** | **Estimate of input** | **Sensitivity of the fair value measurement to input** | **Method** |
|---|---|---|---|
| Probability of meeting target for contingent consideration | 100% | A decrease to 90% would decrease/ (increase) fair value by US$ 142,000 | Net present value |
| Discounting rate | 10% | An increase/ decrease by 5% would increase/ decrease fair | |

| | | |
|---|---|---|
| | value by US$ 595,584 | Net present value |

**Contingent consideration (Level 3)**

The fair value of contingent consideration related to the acquisition of Elite Cleaning & Environmental Services Limited (see Note 3) is estimated using a present value technique. The fair value is estimated by probability weighting the estimated future cash outflows, adjusting for risk and discounting at 10.4%. The discount rate used is based on the Group's weighted average cost of capital at the reporting date. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

| **Observable input** | **Contingent consideration** | |
|---|---|---|
| | **2018** | **2017** |
| Balance as at 1 April 2017 | 692,648 | 482,016 |
| Acquired through business combination | 1,167,022 | - |
| Amount recognized in profit and loss account | 117,793 | 199,523 |
| Amount paid | (659,300) | - |
| Translation adjustment | (26,029) | 11,109 |
| Balance as at 31 March 2018 | 1,292,134 | 692,648 |

**28. Post reporting date events**

The Group on 1 May 2018, through its wholly-owned subsidiary, Tenon Facility Management Singapore Pte. Limited ("Tenon Singapore"), acquired the remaining 49% of the issued and paid-up capital of its Singapore-based subsidiary Frontline Security PTE LTD ("Frontline Security") from Mr. Joe Singh, the founder of Frontline Security, for a maximum consideration of SGD 3.5 million (approximately US$ 2.625 million), in cash.