

**Laboratories Torrent (Malaysia)  
Sdn. Bhd.**

(Company No. 936342-D)  
(Incorporated in Malaysia)

**Financial statements for the year  
ended 31 March 2019**

KPMG PLT  
(LLP0010081-LCA & AF 0758)  
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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LABORATORIES TORRENT (MALAYSIA) SDN. BHD.**

(Company No. 936342-D)  
(Incorporated in Malaysia)

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Laboratories Torrent (Malaysia) Sdn. Bhd., which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 21.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

#### **Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence and Other Ethical Responsibilities**

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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Independent Auditors' Report for the  
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## **Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

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

## **Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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### **Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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

Company No. 936342-D

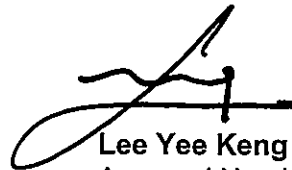
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## Other Matter

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants



**Lee Yee Keng**  
Approval Number: 02880/04/2021 J  
Chartered Accountant

Petaling Jaya, Malaysia

Date: 2 May 2019

## Laboratories Torrent (Malaysia) Sdn. Bhd.

(Company No. 936342-D)

(Incorporated in Malaysia)

### Statement of financial position as at 31 March 2019

	Note	2019 RM	2018 RM
<b>Assets</b>			
Plant and equipment	3	71,992	88,354
Deferred tax assets	4	177,693	162,493
<b>Total non-current assets</b>		<u>249,685</u>	<u>250,847</u>
Inventories	5	5,266,681	4,760,041
Current tax assets		511,632	251,943
Trade and other receivables	6	5,345,339	4,159,897
Cash and cash equivalents	7	539,315	4,431,053
<b>Total current assets</b>		<u>11,662,967</u>	<u>13,602,934</u>
<b>Total assets</b>		<u>11,912,652</u>	<u>13,853,781</u>
<b>Equity</b>			
Share capital	8	1,000,000	1,000,000
Retained earnings		2,429,727	1,801,541
<b>Total equity attributable to owner of the Company</b>		<u>3,429,727</u>	<u>2,801,541</u>
<b>Liability</b>			
Trade and other payables	9	8,482,925	11,052,240
<b>Total current liability</b>		<u>8,482,925</u>	<u>11,052,240</u>
<b>Total liability</b>		<u>8,482,925</u>	<u>11,052,240</u>
<b>Total equity and liability</b>		<u>11,912,652</u>	<u>13,853,781</u>

The notes on pages 9 to 21 are an integral part of these financial statements.

## Laboratories Torrent (Malaysia) Sdn. Bhd.

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### Statement of comprehensive income for the year ended 31 March 2019

	Note	2019 RM	2018 RM
<b>Revenue</b>		30,620,397	23,899,870
Cost of sales		<u>(24,588,927)</u>	<u>(17,306,731)</u>
<b>Gross profit</b>		6,031,470	6,593,139
Other income		-	76,572
Administrative expenses		(4,617,882)	(4,067,391)
Selling and distribution expenses		<u>(528,527)</u>	<u>(528,191)</u>
<b>Profit before tax</b>		885,061	2,074,129
Tax expense	10	<u>(256,875)</u>	<u>(400,661)</u>
<b>Profit for the year</b>	11	<u><u>628,186</u></u>	<u><u>1,673,468</u></u>

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**Laboratories Torrent (Malaysia) Sdn. Bhd.**

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**Statement of changes in equity for the year ended  
31 March 2019**

	<b>Share capital RM</b>	<i>Distributable</i> <b>Retained earnings RM</b>	<b>Total equity RM</b>
<b>At 1 April 2017</b>	500,000	628,073	1,128,073
Profit for the year	-	1,673,468	1,673,468
Issue of ordinary shares	500,000	(500,000)	-
<b>At 31 March 2018/1 April 2018</b>	1,000,000	1,801,541	2,801,541
Profit for the year	-	628,186	628,186
<b>At 31 March 2019</b>	1,000,000	2,429,727	3,429,727

Note 8



## Laboratories Torrent (Malaysia) Sdn. Bhd.

(Company No. 936342-D)

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### Statement of cash flows for the year ended 31 March 2019

	Note	2019 RM	2018 RM
<b>Cash flows from operating activities</b>			
Profit before tax		885,061	2,074,129
<i>Adjustments for:</i>			
Depreciation of plant and equipment	3	28,375	24,453
Write down of inventory obsolescence		48,671	221,049
Unrealised foreign exchange gain		-	(74,978)
		<u>962,107</u>	<u>2,244,653</u>
<b>Operating profit before changes in working capital</b>			
Changes in working capital:			
Inventories		(555,311)	(1,757,864)
Trade and other receivables		(1,185,441)	(1,077,499)
Trade and other payables		(2,569,315)	3,594,582
		<u>(3,347,960)</u>	<u>3,003,872</u>
<b>Cash (used in)/generated from operations</b>			
Tax paid		(531,765)	(837,509)
Tax refund		-	37,184
		<u>(3,879,725)</u>	<u>2,203,547</u>
<b>Net cash (used in)/from operating activities</b>		<u>(3,879,725)</u>	<u>2,203,547</u>
<b>Cash flows from investing activity</b>			
Acquisition of plant and equipment		(12,013)	(83,218)
		<u>(12,013)</u>	<u>(83,218)</u>
<b>Net cash used in investing activity</b>		<u>(12,013)</u>	<u>(83,218)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(3,891,738)	2,120,329
Cash and cash equivalents at 1 April		<u>4,431,053</u>	<u>2,310,724</u>
<b>Cash and cash equivalents at 31 March</b>	7	<u>539,315</u>	<u>4,431,053</u>

The notes on pages 9 to 21 are an integral part of these financial statements.

## **Laboratories Torrent (Malaysia) Sdn. Bhd.**

(Company No. 936342-D)

(Incorporated in Malaysia)

### **Notes to the financial statements**

Laboratories Torrent (Malaysia) Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The address of the principal place of business and registered office of the Company is as follows:

E-08-08, Plaza Mont Kiara  
No. 2, Jalan Kiara, Mont Kiara  
50480 Kuala Lumpur

The Company is principally engaged in importing and selling of pharmaceutical products. There has been no significant change in the nature of these activities during the financial year.

The immediate and ultimate holding company of the Company is Torrent Pharmaceuticals Limited, a company incorporated in India.

These financial statements were authorised for issue by the Board of Directors on 2 May 2019.

#### **1. Basis of preparation**

##### **(a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with Malaysian Private Entities Reporting Standard ("MPERS") and the requirements of the Companies Act 2016 in Malaysia.

##### **(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

##### **(c) Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

## **1. Basis of preparation (continued)**

### **(d) Use of estimates and judgements**

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

## **2. Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

### **(a) Foreign currency**

#### **Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

All foreign currency differences are recognised in profit or loss.

## 2. Significant accounting policies (continued)

### (b) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is recognised initially at the transaction price (including transaction costs except in the initial measurement of a financial asset or financial liability that is subsequently measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction for the Company (for a financial liability) or the counterparty (for a financial asset) to the arrangement. If the arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition.

#### (ii) Subsequent measurement

Debt instruments which do not have contractual provision that could result in the holder losing the principal amount or any interest attributable to the current period or prior periods are measured at amortised cost using the effective interest method.

Debt instruments that are classified as current assets or current liabilities are measured at the undiscounted amount of the cash or other consideration expected to be paid or received unless the arrangement constitutes, in effect, a financing transaction.

All financial assets (except for financial assets measured at fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment. An impairment loss is measured as follow:

- For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate.
- For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

All other financial assets or financial liabilities not measured at amortised cost or cost less impairment are measured at fair value with changes recognised in profit or loss.

## **2. Significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### **(iii) Derecognition**

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are settled, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset derecognised and the consideration received, including any newly created rights and obligations, is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### **(c) Plant and equipment**

#### **(i) Recognition and measurement**

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use.

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

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other expenses" respectively in the profit or loss.

#### **(ii) Subsequent costs**

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

## 2. Significant accounting policies (continued)

### (c) Plant and equipment (continued)

#### (iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use.

The estimated useful lives are as follows:

• Furniture and fittings	3 - 10 years
• Office equipment	10 years
• Electrical equipment	5 - 20 years
• Computer	2 - 5 years

### (d) Leased assets

#### Operating leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

### (e) Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

At each reporting date, the Company assesses whether any inventories are impaired by comparing the carrying amount of each item of inventory or group of similar items with its selling price less costs to complete and sell. If an item of inventory or group of similar items is impaired, the Company reduces the carrying amount of the inventory or the group of similar items to its selling price less costs to complete and sell. That reduction is an impairment loss and it is recognised immediately in profit or loss.

## 2. Significant accounting policies (continued)

### (f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

### (g) Impairment of non-financial assets

The carrying amounts of non-financial assets (i.e. plant and equipment) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in the profit or loss.

### (h) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### Ordinary shares

Ordinary shares are classified as equity.

### (i) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Company's contributions to Employees Provident Fund are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

## 2. Significant accounting policies (continued)

### (j) Revenue

#### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

#### (ii) Services

Revenue from services rendered is recognised in profit or loss to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised when the services are rendered.

### (k) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they plan to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.



## 2. Significant accounting policies (continued)

### (k) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 3. Plant and equipment

	Furniture and fittings RM	Office equipment RM	Electrical equipment RM	Computer RM	Total RM
<b>Cost</b>					
At 1 April 2018	32,741	24,891	3,775	101,301	162,708
Additions	-	-	1,415	10,598	12,013
At 31 March 2019	<u>32,741</u>	<u>24,891</u>	<u>5,190</u>	<u>111,899</u>	<u>174,721</u>
<b>Accumulated depreciation</b>					
At 1 April 2018	18,294	14,774	2,297	38,989	74,354
Depreciation for the year	3,274	2,489	378	22,234	28,375
At 31 March 2019	<u>21,568</u>	<u>17,263</u>	<u>2,675</u>	<u>61,223</u>	<u>102,729</u>
<b>Carrying amounts</b>					
At 1 April 2018	<u>14,447</u>	<u>10,117</u>	<u>1,478</u>	<u>62,312</u>	<u>88,354</u>
At 31 March 2019	<u>11,173</u>	<u>7,628</u>	<u>2,515</u>	<u>50,676</u>	<u>71,992</u>

## 4. Deferred tax assets

### Recognised deferred tax assets

Deferred tax assets/(liabilities) are attributable to the following:

	2019 RM	2018 RM
Plant and equipment	(8,403)	(11,922)
Provision	<u>186,096</u>	<u>174,415</u>
	<u>177,693</u>	<u>162,493</u>

#### 4. Deferred tax assets (continued)

##### Movement in temporary differences during the year

	At 1.4.2017 RM	Recognised in profit or loss (Note 10) RM	At 31.3.2018/ 1.4.2018 RM	Recognised in profit or loss (Note 10) RM	At 31.3.2019 RM
Plant and equipment	(3,449)	(8,473)	(11,922)	3,519	(8,403)
Provision	-	174,415	174,415	11,681	186,096
Others	119,502	(119,502)	-	-	-
	<u>116,053</u>	<u>46,440</u>	<u>162,493</u>	<u>15,200</u>	<u>177,693</u>

#### 5. Inventories

	2019 RM	2018 RM
Finished goods	6,042,084	5,486,773
Less: Inventory obsolescence	<u>(775,403)</u>	<u>(726,732)</u>
	<u>5,266,681</u>	<u>4,760,041</u>

#### 6. Trade and other receivables

	2019 RM	2018 RM
<b>Trade</b>		
Trade receivable	<u>5,227,781</u>	<u>3,992,150</u>
<b>Non-trade</b>		
Other receivables	4,599	15,520
Deposits	61,940	61,000
Prepayments	<u>51,019</u>	<u>91,227</u>
	<u>117,558</u>	<u>167,747</u>
	<u>5,345,339</u>	<u>4,159,897</u>

#### 7. Cash and cash equivalents

	2019 RM	2018 RM
Cash at banks	537,685	4,430,253
Cash on hand	<u>1,630</u>	<u>800</u>
	<u>539,315</u>	<u>4,431,053</u>

**8. Share capital**

	Number of shares 2019	Amount 2019 RM	Number of shares 2018	Amount 2018 RM
<b>Issued and fully paid:</b>				
Ordinary shares				
At 1 April	1,000,000	1,000,000	500,000	500,000
Issue during the year	-	-	500,000	500,000
At 31 March	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

**9. Trade and other payables**

	Note	2019 RM	2018 RM
<b>Trade</b>			
Amount due to immediate holding company	9.1	<u>7,901,937</u>	<u>10,574,114</u>
<b>Non-trade</b>			
Accruals		<u>580,988</u>	<u>478,126</u>
		<u>580,988</u>	<u>478,126</u>
		<u>8,482,925</u>	<u>11,052,240</u>

9.1 The trade amount due to immediate holding company is subject to normal trade terms.

**10. Tax expense***Recognised in profit or loss*

	2019 RM	2018 RM
<b>Current tax expense</b>		
- current year	272,501	372,293
- (over)/under provision in prior year	<u>(426)</u>	<u>74,808</u>
	<u>272,075</u>	<u>447,101</u>
<b>Deferred tax expense</b>		
- current year	(12,085)	60,215
- over provision in prior year	<u>(3,115)</u>	<u>(106,655)</u>
	<u>(15,200)</u>	<u>(46,440)</u>
Total tax expense	<u>256,875</u>	<u>400,661</u>

**10. Tax expense (continued)**

	2019 RM	2018 RM
<b><i>Reconciliation of effective tax expense</i></b>		
Profit before tax	<u>885,061</u>	<u>2,074,129</u>
Income tax calculated using Malaysian tax rate of 24% (2018: 20%)	212,415	414,826
Effect of changes in tax rate	-	(27,082)
Non-allowable expenses	<u>48,001</u>	<u>44,764</u>
	260,416	432,508
Over provision in prior year	<u>(3,541)</u>	<u>(31,847)</u>
	<u>256,875</u>	<u>400,661</u>

**11. Profit for the year**

	2019 RM	2018 RM
<b>Profit for the year is arrived at after charging:</b>		
Auditors' remuneration	50,000	50,000
Depreciation of plant and equipment	28,375	24,453
Director's remuneration and incentives	448,816	391,326
Loss on foreign exchange:		
- Realised	-	23,851
Personnel expenses:		
- Salaries and allowances	1,768,047	1,581,261
- Sales incentives	1,163,817	1,022,159
- Contribution to Employees Provident Fund	355,004	312,515
Inventory obsolescence written down	48,671	221,049
Rental expense in respect of:		
- Car park	14,200	11,698
- Office	50,400	48,600
- Director's accommodation	<u>52,800</u>	<u>52,700</u>
<b>and after crediting:</b>		
Gain on foreign exchange:		
- Unrealised	<u>-</u>	<u>74,978</u>

## 12. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 RM	2018 RM
Less than one year	45,000	103,200
Between one to five years	-	45,000
	<u>45,000</u>	<u>148,200</u>

The Company leases its office and staff accommodation under operating lease. The leases typically run for a period between two to three years with an option to renew the leases after that date.

## 13. Financial instruments

### 13.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost ("AC").

	Note	Carrying amount RM	AC RM
<b>2019</b>			
<b>Financial assets</b>			
Trade and other receivables*		5,289,721	5,289,721
Cash and cash equivalents	7	<u>539,315</u>	<u>539,315</u>
		<u>5,829,036</u>	<u>5,829,036</u>
<b>Financial liability</b>			
Trade and other payables	9	<u>(8,482,925)</u>	<u>(8,482,925)</u>
<b>2018</b>			
<b>Financial assets</b>			
Trade and other receivables*		4,053,150	4,053,150
Cash and cash equivalents	7	<u>4,431,053</u>	<u>4,431,053</u>
		<u>8,484,203</u>	<u>8,484,203</u>
<b>Financial liability</b>			
Trade and other payables	9	<u>(11,052,240)</u>	<u>(11,052,240)</u>

\* Excluding prepayments and Goods and Services Tax receivable.

**13. Financial instruments (continued)****13.2 Net gains/(losses) arising from financial instruments**

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Net gains/(losses) on:		
Financial liability measured at amortised cost	<u>-</u>	<u>51,127</u>

**14. Related party****Significant related party transaction**

The significant related party transaction of the Company is shown below. The balance related to the below transaction is shown in Note 9.

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Immediate holding company</b>		
Purchases	<u>25,091,653</u>	<u>18,824,429</u>

The Directors are of the view that all related party transactions have been entered into in the normal course of business under normal terms.

The estimated monetary value of Directors' benefit-in-kind is RM192,443 (2018: RM165,269).