

RESPONSIVE INDUSTRIES LLC

Company Registration Number: 61-1963070

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2024

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RESPONSIVE INDUSTRIES LLC

Company Registration No.: 61-1963070

DIRECTOR'S STATEMENT

For the financial year ended 31 March 2024

The director presents his statement to the members together with the financial statements of Responsive Industries LLC (the "Company") for the financial year ended 31 March 2024.

1 OPINION OF THE DIRECTOR

In my opinion, being the sole director of the Company,

- (i) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2024 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company, will be able to pay its debts as and when they fall due.

The Sole Director

DocuSigned by:

Rishabh Agarwal

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AGARWAL RISHAB RAJKUMAR

Director

Date: 3 May 2024



Helmi Talib LLP

Chartered Accountants of Singapore
Registration Number: T20LL1986E

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF RESPONSIVE INDUSTRIES LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Responsive Industries LLC (the "Company" or the "Component"), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the International Financial Reporting Standards in Singapore (the "IFRSs") so as to give a true and fair view of the financial position of the Company as at 31 March 2024 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants ("IESBA") International Code for Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matter

On our auditor's report dated 24 April 2023 on the financial statements of the Company for the previous financial year ended 31 March 2023, we expressed a qualified opinion regarding the existence of the Company's inventories amounting to US\$5,898,276 as at 31 March 2023. We have, amongst others, performed the following audit procedures:

- Testing on a sample basis the accuracy of cost for inventory by verifying to vendor's invoices and delivery notes;
- Roll-back testing on a sample basis the movements of inventory as at 30 June 2023 to 31 March 2023; and
- Testing on a sample basis the sale of inventories as at 31 March 2023 to freight invoices and/or bills of lading for the proof of delivery.

Based on the above, we are satisfied with the opening inventory balances for the financial year ended 31 March 2024. Consequently, the qualification in the 31 March 2023 financial statements was resolved.



Helmi Talib LLP

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with IFRS for the purpose of consolidating to the holding company. The financial statements are intended solely for the Company and its holding company and should not be distributed to or used by parties other than the Company and its holding company.

Other Information

Management is responsible for the other information. The other information comprises the Director's Statements set out on page 1.

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

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

Responsibilities of Management and Director for Financial Statements

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

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

The director's responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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


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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also: (Continued)

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

We communicate with the director 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.

DocuSigned by:

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HELMI TALIB LLP
Public Accountants and
Chartered Accountants

Singapore

Date: 3 May 2024

Partner-in-charge : Mari Jane Tiburcio
PA No. : 01780

RESPONSIVE INDUSTRIES LLC

Company Registration No.: 61-1963070

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 March 2024

	Note	Quarter Ended			Year Ended	
		<u>31.3.2024</u>	<u>31.12.2023</u>	<u>31.3.2023</u>	<u>31.3.2024</u>	<u>31.3.2023</u>
		US\$	US\$	US\$	US\$	US\$
Revenue	5	3,565,813	3,482,594	4,129,857	13,798,019	24,633,923
Cost of sales		<u>(3,126,956)</u>	<u>(3,091,111)</u>	<u>(3,434,927)</u>	<u>(12,112,623)</u>	<u>(22,607,327)</u>
Gross profit		438,857	391,483	694,930	1,685,396	2,026,596
Expenses						
Depreciation		(704,799)	(3,485)	(995)	(725,586)	(3,980)
Finance costs	7	(82,680)	(43,610)	(59,238)	(229,786)	(185,622)
Selling and distribution expenses		(38,584)	(8,939)	(3,649)	(59,878)	(11,651)
Administrative and other expenses		<u>(17,826)</u>	<u>(506,142)</u>	<u>(433,095)</u>	<u>(1,707,078)</u>	<u>(1,786,517)</u>
Loss before income tax	6	(405,032)	(170,693)	197,953	(1,036,932)	38,826
Income tax expense	7(a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss)/profit for the financial period/year, representing total comprehensive (loss)/income for the financial period/year		<u>(405,032)</u>	<u>(170,693)</u>	<u>197,953</u>	<u>(1,036,932)</u>	<u>38,826</u>
Attributable to:						
<u>Owner of the Company</u>						
(Loss)/profit for the financial period/year		<u>(405,032)</u>	<u>(170,693)</u>	<u>197,953</u>	<u>(1,036,932)</u>	<u>38,826</u>
<u>Owner of the Company</u>						
Total comprehensive (loss)/income for the financial period/year		<u>(405,032)</u>	<u>(170,693)</u>	<u>197,953</u>	<u>(1,036,932)</u>	<u>38,826</u>

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

RESPONSIVE INDUSTRIES LLC
Company Registration No.: 61-1963070

STATEMENT OF FINANCIAL POSITION
As at 31 March 2024

	Note	<u>31 March 2024</u> US\$	<u>31 March 2023</u> US\$
<u>ASSETS</u>			
<u>Current assets</u>			
Cash and cash equivalents	9	1,000,000	1,069,390
Trade and other receivables	10	950,034	2,822,891
Inventories	11	4,436,339	5,898,276
Total current assets		<u>6,386,373</u>	<u>9,790,557</u>
<u>Non-current asset</u>			
Plant and equipment	12	871,095	34,357
Total non-current asset		<u>871,095</u>	<u>34,357</u>
Total assets		<u>7,257,468</u>	<u>9,824,914</u>
<u>LIABILITIES AND EQUITY</u>			
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Trade and other payables	13	2,056,215	2,201,992
Loans and borrowings	14	1,437,424	3,691,428
Lease liabilities	15(b)	303,026	-
Total current liabilities		<u>3,796,665</u>	<u>5,893,420</u>
<u>Non-current liabilities</u>			
Loans and borrowings	14	10,028	15,773
Lease liabilities	15(b)	571,986	-
Total non-current liabilities		<u>582,014</u>	<u>15,773</u>
Total liabilities		<u>4,378,679</u>	<u>5,909,193</u>
<u>EQUITY</u>			
Share capital	16	4,600,000	4,600,000
Accumulated losses		<u>(1,721,211)</u>	<u>(684,279)</u>
Total equity		<u>2,878,789</u>	<u>3,915,721</u>
Total liabilities and equity		<u>7,257,468</u>	<u>9,824,914</u>

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

RESPONSIVE INDUSTRIES LLC

Company Registration No.: 61-1963070

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2024

		<u>31 March 2024</u>		
	Note	Share <u>capital</u> US\$	Accumulated <u>losses</u> US\$	<u>Total</u> US\$
Equity				
At 1 April 2023		4,600,000	(684,279)	3,915,721
Comprehensive loss				
Loss for the financial period/year, representing total representing total comprehensive comprehensive loss for the financial period/year		-	(1,036,932)	(1,036,932)
At 31 March 2024		<u>4,600,000</u>	<u>(1,721,211)</u>	<u>2,878,789</u>

		<u>31 March 2023</u>		
	Note	Share <u>capital</u> US\$	Accumulated <u>losses</u> US\$	<u>Total</u> US\$
Equity				
At 1 April 2022		4,600,000	(723,105)	3,876,895
Comprehensive income				
Profit for the financial period/year, representing total representing total comprehensive comprehensive income for the financial period/year		-	38,826	38,826
At 31 March 2023		<u>4,600,000</u>	<u>(684,279)</u>	<u>3,915,721</u>

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

RESPONSIVE INDUSTRIES LLC

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STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2024

	Note	31 March 2024 US\$	31 March 2023 US\$
Cash flows from operating activities			
(Loss)/profit before income tax		(1,036,932)	38,826
Adjustments for:			
Depreciation of plant and equipment	12	725,586	3,980
Bad debts written off	6	172,679	102,193
Interest expense on loans	6	190,806	185,622
Interest expense on lease liability	7	38,980	-
Total adjustments to profit or loss		<u>1,128,051</u>	<u>291,795</u>
Changes in working capital			
Decrease in trade and other receivables		1,700,178	138,697
Decrease in trade and other payables		(145,777)	(1,870,115)
Decrease/(increase) in inventories		1,461,937	(2,520,591)
Total changes in working capital		<u>3,016,338</u>	<u>(4,252,009)</u>
Net cash flows from/(used in) operations, representing net cash flows from/(used in) operating activities		<u>3,107,457</u>	<u>(3,921,388)</u>
Cash flows from investing activities			
Purchase of plant and equipment	12	(21,794)	(532)
Increase in pledged deposits	9	-	(1,000,000)
Cash flows used in investing activities		<u>(21,794)</u>	<u>(1,000,532)</u>
Cash flows from financing activities			
Payment of bank loans	14	(14,807,070)	(1,803,842)
Proceeds from bank borrowings	14	12,547,321	5,483,133
Payment of principal portion of lease liabilities	15(b)	(665,518)	-
Interest expense paid	14	(190,806)	(185,622)
Payment of interest expense of lease liabilities	15(b)	(38,980)	-
Net cash flows (used in)/from financing activities		<u>(3,155,053)</u>	<u>3,493,669</u>
Net decrease in cash and cash equivalents		(69,390)	(1,428,251)
Cash and cash equivalents at the beginning of financial year		69,390	1,497,641
Cash and cash equivalents at the end of financial year	9	<u>-</u>	<u>69,390</u>

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

RESPONSIVE INDUSTRIES LLC

Company Registration No.: 61-1963070

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

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

1 CORPORATE INFORMATION

Responsive Industries LLC (the "Company") is domiciled and incorporated in the United States of America on 6 March 2020 with its registered office and principal place of business of the Company located at 360 Old Laurens Road State 100, Simpsonville, South Carolina 29681.

The principal activity of the Company is wholesale trade of vinyl flooring and synthetic leather.

The Company's majority shareholder is Responsive Industries Limited, a company listed in Securities and Exchange Board in India.

2 MATERIAL ACCOUNTING POLICY INFORMATION**2.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared on a historical basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollar ("USD" or "US\$"), which is the Company's functional currency.

The financial statements of the Company have been prepared on the basis that it will continue to operate as a going concern.

The financial statements are prepared in accordance with IFRS for the purpose of consolidating to the holding company. The financial statements are intended solely for the Company and its holding company and should not be distributed to or used by parties other than the Company and its holding company.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for financial year beginning on or after 1 April 2023. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

2.3 Standards issued but not yet effective

The Company has not adopted the following standards applicable to the Company that have been issued but not yet effective:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 16 : Leases on sale and leaseback	1 January 2024
Amendment to IAS 1 : Non-current liabilities with covenants	1 January 2024
Amendments to IAS 7 and IFRS 7 : Supplier Finance	1 January 2024
Amendments to IAS 21 : Lack of Exchangeability	1 January 2025

The director expects that the adoption of these new and amended standards will have no material impact on the financial statements in the year of initial application.

RESPONSIVE INDUSTRIES LLC

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**2.4 Foreign currency transactions and balances**

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting year are recognised in profit or loss.

2.5 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Years</u>
Motor vehicles	- 10
Machinery and equipment	- 7
Building and qualified improvements	- 15
Leasehold equipment	- 4
Leasehold property	- 5

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful lives and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.6 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

RESPONSIVE INDUSTRIES LLC

Company Registration No.: 61-1963070

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**2.6 Impairment of non-financial assets (Continued)**

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks and pledged deposits, which are subject to an insignificant risk of changes in value.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.9 Financial instruments**(a) Financial assets****Initial recognition and measurement**

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement***Amortised cost***

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

RESPONSIVE INDUSTRIES LLC

Company Registration No.: 61-1963070

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**2.9 Financial instruments (Continued)****(a) Financial assets (Continued)****Derecognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.10 Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**2.10 Impairment of financial assets (Continued)**

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events where it is probable that it will result in an outflow of economic benefits to settle the obligation and the amount of obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.12 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.13 Leases

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

As lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.6 of the financial statements.

The Company's right-of-use assets are presented within plant and equipment under leasehold equipment and disclosed in Note 12 to the financial statements.

RESPONSIVE INDUSTRIES LLC

Company Registration No.: 61-1963070

NOTES TO THE FINANCIAL STATEMENTSFor the financial year ended 31 March 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)2.13 Leases (Continued)As lessee (Continued)*Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are disclosed in Note 15(b) to the financial statements.

2.14 Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Sale of goods

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

Delivery occurs when the goods have been shipped to the specific location and that the risks of obsolescence and loss have been transferred to the customer, or the customer has accepted the goods in accordance with the sales contract.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume discounts and adjusted for expected returns.

RESPONSIVE INDUSTRIES LLC

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)2.15 Taxes

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.16 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 Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of the 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); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

RESPONSIVE INDUSTRIES LLC*Company Registration No.: 61-1963070***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 March 2024***2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**2.16 Related party (Continued)Key management personnel

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based on its assumption and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumption when they occur.

(a) Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs and the carrying amounts of the Company's trade receivables is disclosed in Notes 10 and 17 to the financial statements.

(b) Inventory valuation method

Inventory write-down is made based on the current market conditions, historical experience and selling goods of a similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically of inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines. The realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available and inherently involves estimates regarding the future expected realisable value. The carrying amount of the Company's inventories as at 31 March 2024 and 2023 is disclosed in Note 11 to the financial statements.

RESPONSIVE INDUSTRIES LLC

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

4 SIGNIFICANT RELATED PARTY TRANSACTIONS

Apart from the disclosures made elsewhere in the financial statements, the following significant transactions between the Company and related parties took place during the financial year at terms agreed between the parties.

(a) Significant related party transactions

	Quarter Ended			Year Ended	
	<u>31.3.2024</u>	<u>30.12.2023</u>	<u>31.3.2023</u>	<u>31.3.2024</u>	<u>31.3.2023</u>
	US\$	US\$	US\$	US\$	US\$
<u>Related</u>					
<u>company</u>					
Expenses paid on behalf for the Company	-	-	1,353	-	5,453
Amounts due from (Note 13)	-	-	-	187,187	-
Waiver of outstanding amounts (Note 13)	-	-	-	(187,187)	-

	Quarter Ended			Year Ended	
	<u>31.3.2024</u>	<u>30.12.2023</u>	<u>31.3.2023</u>	<u>31.3.2024</u>	<u>31.3.2023</u>
	US\$	US\$	US\$	US\$	US\$
<u>Director</u>					
Advances to the Company	-	-	100,000	275,000	100,000
Payments made	-	-	-	(30,000)	-

(b) Key management personnel

	Quarter Ended			Year Ended	
	<u>31.3.2024</u>	<u>30.12.2023</u>	<u>31.3.2023</u>	<u>31.3.2024</u>	<u>31.3.2023</u>
	US\$	US\$	US\$	US\$	US\$
<u>Director</u>					
Salaries and allowances	96,923	96,923	2,000	411,923	2,000
Other benefits	6,977	6,977	-	13,954	-

RESPONSIVE INDUSTRIES LLC

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

5 REVENUE

	Quarter Ended			Year Ended	
	<u>31.3.2024</u>	<u>31.12.2023</u>	<u>31.3.2023</u>	<u>31.3.2024</u>	<u>31.3.2023</u>
	US\$	US\$	US\$	US\$	US\$
<u>Type of goods</u>					
Sale of PVC products	3,565,813	3,482,594	4,129,857	13,798,019	24,633,923
<u>Timing of transfer of goods</u>					
At a point in time	3,565,813	3,482,594	4,129,857	13,798,019	24,633,923

6 (LOSS)/PROFIT BEFORE INCOME TAX

In addition to the charges disclosed elsewhere in the financial statements, the following charges were included in the determination of loss before income tax:

	Quarter Ended			Year Ended	
	<u>31.3.2024</u>	<u>30.12.2023</u>	<u>31.3.2023</u>	<u>31.3.2024</u>	<u>31.3.2023</u>
	US\$	US\$	US\$	US\$	US\$
<u>Included under cost of sales</u>					
Purchases	2,822,643	2,768,946	2,800,726	10,864,824	16,819,217
Freight charges	304,313	322,060	628,402	1,246,787	5,568,880
Miscellaneous	-	105	5,799	1,012	219,230
	<u>3,126,956</u>	<u>3,091,111</u>	<u>3,434,927</u>	<u>12,112,623</u>	<u>22,607,327</u>
<u>Included under administrative and other expenses</u>					
Salaries and related expenses	342,594	288,549	194,482	1,229,634	746,235
Bad debts written off	83,722	-	-	172,679	102,193
Legal and professional fees	56,798	25,894	62,922	161,006	127,721
Repairs and maintenance	37,138	33,739	39,704	134,023	111,601
Travel, meal and entertainment	22,063	23,420	22,388	86,246	82,952
Bank charges	11,233	23,403	10,866	82,313	132,886
Taxes and licenses	6,580	939	3,444	31,473	17,353
Insurance	6,529	6,063	2,960	29,253	40,239
Office and storage rental	(596,945)	81,329	78,250	(343,392)	317,519
Miscellaneous	48,114	22,806	18,079	123,843	107,818
	<u>17,826</u>	<u>506,142</u>	<u>433,095</u>	<u>1,707,078</u>	<u>1,786,517</u>

RESPONSIVE INDUSTRIES LLC

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

7 FINANCE COSTS

	Quarter Ended			Year Ended	
	<u>31.3.2024</u>	<u>30.12.2023</u>	<u>31.3.2023</u>	<u>31.3.2024</u>	<u>31.3.2023</u>
	US\$	US\$	US\$	US\$	US\$
Interest on loans (Note 14)	43,700	43,610	59,237	190,806	185,622
Interest on leases (Note 15(b))	38,980	-	-	38,980	-
	<u>82,680</u>	<u>43,610</u>	<u>59,237</u>	<u>229,786</u>	<u>185,622</u>

8 INCOME TAX

(a) Component of income tax expense

The major component of income tax expense recognised in profit or loss for the financial years ended 31 March 2024 and 2023 is:

	Quarter Ended			Year Ended	
	<u>31.3.2024</u>	<u>30.12.2023</u>	<u>31.3.2023</u>	<u>31.3.2024</u>	<u>31.3.2023</u>
	US\$	US\$	US\$	US\$	US\$
Current year tax:					
Current period/year provision, representing income tax expense recognised in profit or loss	-	-	-	-	-

(b) Relationship between income tax expense and accounting (loss)/profit

A relationship between income tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the financial year is as follows:

	Quarter Ended			Year Ended	
	<u>31.3.2024</u>	<u>30.12.2023</u>	<u>31.3.2023</u>	<u>31.3.2024</u>	<u>31.3.2023</u>
	US\$	US\$	US\$	US\$	US\$
(Loss)/profit before income tax	(405,032)	(170,693)	197,953	(1,036,932)	38,826
Tax calculated at a tax rate of 21%	(85,057)	(35,846)	41,570	(217,756)	8,153
Deferred tax assets not recognised	85,057	35,846	-	217,756	-
Utilisation of deferred tax asset not recognised	-	-	(41,570)	-	(8,153)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

RESPONSIVE INDUSTRIES LLC

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

8 INCOME TAX (Continued)

(b) Relationship between income tax expense and accounting (loss)/profit (Continued)

As at the end of the financial year, the Company has unutilised tax losses of approximately US\$1,716,000 (2023: US\$680,000) which can be carried forward for set-off against future taxable profits. The potential deferred tax assets arising from these unutilised tax losses has not been recognised in the financial statements because of the uncertainty of future taxable profits.

9 CASH AND CASH EQUIVALENTS

	<u>31 March 2024</u> US\$	<u>31 March 2023</u> US\$
Pledged deposits	1,000,000	1,000,000
Cash at banks	-	69,390
	<u>1,000,000</u>	<u>1,069,390</u>

Cash at banks are held in non-interest bearing accounts.

Deposit is pledged as a security to secure a bank loan (see Note 14).

For the purpose of the statement of cash flows, cash and cash equivalents are comprised of the balances as shown below:

	<u>31 March 2024</u> US\$	<u>31 March 2023</u> US\$
Total cash and cash equivalents	1,000,000	1,069,390
Less: Pledged deposits	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Cash and cash equivalents per statement of cash flows	<u>-</u>	<u>69,390</u>

Cash and cash equivalents are denominated in United States Dollar.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

10 TRADE AND OTHER RECEIVABLES

	<u>31 March 2024</u> US\$	<u>31 March 2023</u> US\$
<u>Trade receivables</u>		
Third parties	848,768	2,732,366
<u>Other receivable</u>		
Prepayments	101,266	65,926
Shareholder	-	18,761
Related company	-	5,838
	<u>101,266</u>	<u>90,525</u>
	<u>950,034</u>	<u>2,822,891</u>
Total trade and other receivables (excluding prepayments)	848,768	2,756,965
Add: Cash and cash equivalents	-	69,390
Total financial assets carried at amortised cost	<u>848,768</u>	<u>2,826,355</u>

Trade receivables

Trade receivables are unsecured, non-interest bearing and normally settled on 30 days' credit term. These are recognised at their original invoice amounts which represent their fair values on initial recognition. Eligible trade receivables have been pledged as security for loans and borrowings (see Note 14).

Other receivables

Amounts due from shareholder and related company are unsecured, non-interest bearing and repayable in cash upon demand.

Expected credit losses

The Company has not recognised an allowance for ECLs for trade receivables as at 31 March 2024 and 2023, as these are considered to be low credit risk and have low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligation if demanded in the near term.

Trade and other receivables are denominated in United States Dollar.

RESPONSIVE INDUSTRIES LLC

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

11 INVENTORIES

	<u>31 March 2024</u>	<u>31 March 2023</u>
	US\$	US\$
Building materials, at cost	<u>4,436,339</u>	<u>5,898,276</u>

During the financial year, the cost of inventories recognised as an expense in cost of sales for the Company amounted to US\$4,284,580 (2023: US\$14,298,626).

On 10 June 2022, the Company has entered into a Loan and Security Agreement (the "Agreement") to secure bank loans. Pursuant to the Agreement, the Company:

1. submits a Borrowing Base Certificate ("BBC"), whereby the Company warrants to the bank (i) all representations and warranties given by the Company in the Agreement are true and correct in all material respects as of the date of the BBC; (ii) the Company is in full compliance with all the covenants contained in the Agreement; which the Company has complied with; and (iii) all information set forth in the BBC is true and accurate.
2. has implemented inventory management-related internal control procedures, including procedures for monitoring stock movements.
3. is required to provide the bank with a weekly inventory balance report and inform the bank of any departing stock movements, excluding sales, that occur from the Company's warehouse.

As at 31 March 2024, inventories with carrying amount of US\$4,436,339, eligible as collateral according to the Agreement, have been pledged as security for loans and borrowings (see Note 14).

Impairment assessment of inventories

Management assessed that no allowance for impairment is necessary as at 31 March 2024 and 2023, as there are no indications of impairment.

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RESPONSIVE INDUSTRIES LLC

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

12 PLANT AND EQUIPMENT

	Warehouse equipment US\$	Motor vehicle US\$	Machinery and equipment US\$	Building and qualified improvements US\$	Leasehold equipment US\$	Leasehold property US\$	Total US\$
Cost							
At 1 April 2022	-	39,795	-	-	-	-	39,795
Additions	532	-	-	-	-	-	532
At 31 March 2023	532	39,795	-	-	-	-	40,327
Additions	-	-	10,146	12,180	38,500	1,502,030	1,562,856
Adjustments	(532)	-	-	-	-	-	(532)
At 31 March 2024	-	39,795	10,146	12,180	38,500	1,502,030	1,602,651
Accumulated depreciation							
At 1 April 2022	-	1,990	-	-	-	-	1,990
Charge for the financial year	-	3,980	-	-	-	-	3,980
At 31 March 2023	-	5,970	-	-	-	-	5,970
Charge for the financial year	-	3,979	1,813	973	17,874	700,947	725,586
At 31 March 2024	-	9,949	1,813	973	17,874	700,947	731,556
Net carrying amount							
At 31 March 2023	532	33,825	-	-	-	-	34,357
At 31 March 2024	-	29,846	8,333	11,207	20,626	801,083	871,095

Leasehold equipment and leasehold property refer to right-of-use assets acquired under leasing arrangement which comprise of lease contract for forklift equipment and office premises. Details of such leased assets are disclosed in Note 15(a) to the financial statements.

RESPONSIVE INDUSTRIES LLC

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

13 TRADE AND OTHER PAYABLES

	<u>31 March 2024</u>	<u>31 March 2023</u>
	US\$	US\$
<u>Trade payables</u>		
Third parties	1,676,848	2,096,006
<u>Other payables</u>		
Director	345,000	100,000
Accrued operating expenses	20,275	3,009
Third parties	14,092	-
Related company	-	2,977
	<u>379,367</u>	<u>105,986</u>
Total trade and other payables	2,056,215	2,201,992
Add: Loans and borrowings (Note 14)	1,447,452	3,707,201
Lease liabilities (Note 15(b))	875,012	-
Total financial liabilities carried at amortised cost	<u>4,378,679</u>	<u>5,909,193</u>

On 1 July 2023, the Company has assumed the payables as at 30 June 2023 totaling to US\$187,187 of one of its shareholders. On the same date, the Company has agreed to waive the amount owing by the former shareholder to them.

Trade payables

Trade payables are non-interest bearing and are generally settled on 30 to 90 days' terms. These amounts are unsecured and are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other payables

Amounts due to director, third parties and related company are unsecured, non-interest bearing and repayable in cash upon demand.

Trade and other payables are denominated in United States Dollar.

RESPONSIVE INDUSTRIES LLC

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

14 LOANS AND BORROWINGS

	<u>Maturity</u>	<u>31 March 2024</u> US\$	<u>31 March 2023</u> US\$
<u>Current</u>			
Line of credit	2024	1,430,666	3,684,670
Bank borrowings	2024	6,758	6,758
		<u>1,437,424</u>	<u>3,691,428</u>
<u>Non-current</u>			
Bank borrowings	2026	10,028	15,773
		<u>1,447,452</u>	<u>3,707,201</u>

A reconciliation of liabilities arising from financing activities is as follows:

	1 April <u>2023</u> US\$	Cash <u>flows</u> US\$	<u>Acquisition</u> US\$	<u>Non-cash changes</u>		31 March <u>2024</u> US\$
				<u>Interest</u> US\$	<u>Others</u> US\$	
- Current	3,691,428	(14,997,876)	12,547,321	190,806	5,745	1,437,424
- Non-current	15,773	-	-	-	(5,745)	10,028
	<u>3,707,201</u>	<u>(14,997,876)</u>	<u>12,547,321</u>	<u>190,806</u>	<u>-</u>	<u>1,447,452</u>

	1 April <u>2022</u> US\$	Cash <u>flows</u> US\$	<u>Acquisition</u> US\$	<u>Non-cash changes</u>		31 March <u>2023</u> US\$
				<u>Interest</u> US\$	<u>Others</u> US\$	
- Current	6,758	(1,989,464)	5,483,133	185,622	5,379	3,691,428
- Non-current	21,152	-	-	-	(5,379)	15,773
	<u>27,910</u>	<u>(1,989,464)</u>	<u>5,483,133</u>	<u>185,622</u>	<u>-</u>	<u>3,707,201</u>

Bank borrowings

On 4 November 2021, the Company applied for a Vehicle Loan with Synovus Bank amounting to US\$29,794. It is unsecured, bears an interest rate at 5% per annum and is paid monthly.

Line of credit

On 10 June 2022, the Company entered into a Loan and Security Agreement with Synovus Bank, whereby the Company received a Maximum Line Amount of US\$10 million, which is repayable in 3 years on 10 June 2025. It is secured by a pledged deposit amounting to US\$1 million (see Note 9) and the Company's forklift (see Note 12).

Loans and borrowings are denominated in United States Dollar.

RESPONSIVE INDUSTRIES LLC

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2024

15 LEASES

The Company has a lease contract for its forklift equipment and office premises with a term of 4 years and 3 years, respectively. The Company's obligation under this lease is secured by the lessor's title to the leased asset. The Company is restricted from assigning and subleasing the leased asset.

- (a) Carrying amount of right-of-use asset classified within plant and equipment

	<u>Forklift equipment</u> US\$	<u>Office premises</u> US\$	<u>Total</u> US\$
Cost			
At 1 April 2022 and 31 March 2023	-	-	-
Additions	38,500	1,502,030	1,540,530
At 31 March 2024	<u>38,500</u>	<u>1,502,030</u>	<u>1,540,530</u>
Accumulated depreciation			
At 1 April 2022 and 31 March 2023	-	-	-
Charge for the financial year	17,874	700,947	718,821
At 31 March 2024	<u>17,874</u>	<u>700,947</u>	<u>718,821</u>
Net carrying amount			
At 31 March 2023	-	-	-
At 31 March 2024	<u>20,626</u>	<u>801,083</u>	<u>821,709</u>

- (b) The carrying amount of lease liabilities as at 31 March 2024 and 2023

	<u>31 March 2024</u> US\$	<u>31 March 2023</u> US\$
<u>Current</u>		
- Lease liabilities	<u>303,026</u>	-
<u>Non-current</u>		
- Lease liabilities	<u>571,986</u>	-
	<u>875,012</u>	-

A reconciliation of lease liabilities arising from financing activities is as follows:

	<u>1 April 2023</u> US\$	<u>Cash flows</u> US\$	<u>Acquisition</u> US\$	<u>Non-cash changes</u>		<u>31 March 2024</u> US\$
				<u>Interest</u> US\$	<u>Others</u> US\$	
- Current	-	(704,498)	1,540,530	38,980	(571,986)	303,026
- Non-current	-	-	-	-	571,986	571,986
	<u>-</u>	<u>(704,498)</u>	<u>1,540,530</u>	<u>38,980</u>	<u>-</u>	<u>875,012</u>

For the financial year ended 31 March 2023, there was no reconciliation of lease liabilities arising from financing activities.

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15 LEASES (Continued)

(c) Amounts recognised in profit or loss

	<u>31 March 2024</u>	<u>31 March 2023</u>
	US\$	US\$
Depreciation of right-of-use asset	718,821	-
Interest expense on lease liability (Note 7)	38,980	-
Office and storage rental (Note 6)	28,328	19,650
Total amounts recognised in profit or loss	<u>786,129</u>	<u>19,650</u>

(d) Total cash outflows

The Company had total cash outflows for lease of US\$704,883 (2023: Nil).

16 SHARE CAPITAL

	<u>31 March 2024</u>	<u>31 March 2023</u>
	US\$	US\$
At the beginning and end of the financial year	<u>4,600,000</u>	<u>4,600,000</u>

17 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks from its operations. The key financial risks include credit risk and liquidity risk.

The director reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from cash and cash equivalents and trade and other receivables. The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. It is the Company's policy to provide credit terms to creditworthy customers. In addition, trade and other receivable balances are monitored on an on-going basis with the result that the Company's exposure to bad debts is not significant.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Company has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Company's historical information.

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For the financial year ended 31 March 2024

17 FINANCIAL RISK MANAGEMENT (Continued)

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. (Continued)

Credit risk (Continued)

To minimise credit risk, the Company has developed and maintained the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; or
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of borrowers in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Company determines that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the debtor;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

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

Category	Definition of category	Basis for recognising expected credit loss ("ECL")
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit-impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

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For the financial year ended 31 March 2024

17 FINANCIAL RISK MANAGEMENT (Continued)

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. (Continued)

Credit risk (Continued)Other receivables

The Company's other receivables comprise mainly of amounts due from shareholder and related company. The Company assessed latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that ECL is insignificant.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

The Company has no significant concentration of credit risk. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

Liquidity risk

Liquidity risk refers to the risk in which the Company is unable to meet its short-term financial obligations, and this arises from the possibility that customers may not be able to settle obligations within normal terms of trade.

The liquidity risk for the Company is minimal as the Company is able to meet its funding requirements through its operations.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations:

31 March 2024	Note	<u>Carrying amounts</u> US\$	<u>Contractual cash flows</u> US\$	<u>One year or less</u> US\$	<u>One to five years</u> US\$
Financial assets					
Cash and cash equivalents	8	1,000,000	1,000,000	1,000,000	-
Trade and other receivables (excluding prepayments)	9	848,768	848,768	848,768	-
Total undiscounted financial assets		<u>1,848,768</u>	<u>1,848,768</u>	<u>1,848,768</u>	<u>-</u>
Financial liabilities					
Trade and other payables	12	2,056,215	2,056,215	2,056,215	-
Loans and borrowings	13	1,447,452	1,448,688	1,437,424	11,264
Lease liabilities	14(b)	875,012	893,434	318,295	575,139
Total undiscounted financial liabilities		<u>4,378,679</u>	<u>4,398,337</u>	<u>3,811,934</u>	<u>586,403</u>
Total net undiscounted financial liabilities		<u>(2,529,911)</u>	<u>(2,549,569)</u>	<u>(1,963,166)</u>	<u>(586,403)</u>

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17 FINANCIAL RISK MANAGEMENT (Continued)

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. (Continued)

Liquidity risk (Continued)

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations: (Continued)

31 March 2023	Note	<u>Carrying amounts</u> US\$	<u>Contractual cash flows</u> US\$	<u>One year or less</u> US\$	<u>One to five years</u> US\$
<u>Financial assets</u>					
Cash and cash equivalents	8	1,069,390	1,069,390	1,069,390	-
Trade and other receivables (excluding prepayments)	9	2,756,965	2,756,965	2,756,965	-
Total undiscounted financial assets		<u>3,826,355</u>	<u>3,826,355</u>	<u>3,826,355</u>	<u>-</u>
<u>Financial liabilities</u>					
Trade and other payables	12	2,201,992	2,201,992	2,201,992	-
Loans and borrowings	13	3,707,201	3,709,450	3,691,428	18,022
Total undiscounted financial liabilities	14(b)	<u>5,909,193</u>	<u>5,911,442</u>	<u>5,893,420</u>	<u>18,022</u>
Total net undiscounted financial liabilities		<u>(2,082,838)</u>	<u>(2,085,087)</u>	<u>(2,067,065)</u>	<u>(896,977)</u>

18 FAIR VALUE OF ASSETS AND LIABILITIES

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

(a) Fair value hierarchy

The Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that are inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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For the financial year ended 31 March 2024

18 FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. (Continued)

(b) Assets and liabilities not measured at fair value

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

Cash and cash equivalents, other receivables, and other payables

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

Trade receivables and trade payables

The carrying amounts of these receivables and payables approximate their fair values as they are subject to normal trade credit terms.

Loans and borrowings

The carrying amount of loans and borrowings approximates its fair value as it is subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

Lease liabilities

The carrying amount of lease liabilities approximates its fair value at the end of the financial year as this obligation is computed at prevailing market interest rates and estimated using the present value technique.

The Company has no fair value measurement recognised in the statement of financial position as at 31 March 2024 and 2023.

19 FINANCIAL INSTRUMENTS BY CATEGORY

At the reporting date, the aggregate carrying amounts of financial assets and financial liabilities carried at amortised cost were disclosed in Notes 10 and 13 to the financial statements, respectively.

20 CAPITAL MANAGEMENT

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company monitors its cash resources to enable it to pay its creditors as and when they fall due. The capital structure of the Company comprises of share capital and accumulated losses.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to its shareholder, return capital to its shareholder or issue new shares.

The Company is not subject to any externally imposed capital requirements for the financial years ended 31 March 2024 and 2023.