



**USP GROUP LIMITED
AND ITS SUBSIDIARIES**

(Company registration no.: 200409104W)
(Incorporated in the Republic of Singapore)

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

USP GROUP LIMITED AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

INDEX

	Page
Directors' Statement	1 - 5
Independent Auditor's Report	6 - 12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Statements of Financial Position	14
Statements of Changes in Equity	15 - 17
Consolidated Statement of Cash Flows	18 - 19
Notes to the Financial Statements	20 - 102

USP GROUP LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 March 2022

The directors present their statement to the members together with the audited consolidated financial statements of USP Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2022.

Subsequent to the financial year ended 31 March 2022, the Company was placed under interim judicial management pursuant to an order of the Singapore High Court dated 11 March 2024. Messrs Tan Wei Cheong and Lim Loo Khoon, care of Deloitte & Touche LLP, were appointed as the joint and several interim judicial managers of the Company.

On 11 June 2024, the Singapore High Court granted orders placing the Company under judicial management, and Messrs Tan Wei Cheong and Lim Loo Khoon were appointed as the joint and several judicial managers of the Company with immediate effect. Following their appointment, the Judicial Managers assumed responsibility for managing the affairs, business and property of the Company in accordance with the applicable provisions of the Insolvency, Restructuring and Dissolution Act 2018 (“IRDA”).

During the judicial management period, the powers and duties ordinarily exercisable or performed by the directors of the Company were subject to the powers vested in the Judicial Managers under the IRDA, and the affairs and business of the Company were managed by the Judicial Managers. The judicial management period continued while the Company undertook its restructuring and implementation of a scheme of arrangement.

On 14 July 2026, the Singapore High Court ordered that the judicial management of the Company be discharged and that the Judicial Managers be released from liability, save for liabilities specified under section 112(5) of the IRDA, with effect from 18 July 2026. Accordingly, upon the discharge of the Company from judicial management, management and control of the Company reverted to the Board of Directors.

Opinion of the directors

In the opinion of the directors:

- (a) the consolidated financial statements of the Group and the statement of financial position, and statement of changes in equity of the Company are properly drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, after considering the measures taken by the Group and the Company with respect to their ability to continue as going concerns as described in Note 3.1 to the audited financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

USP GROUP LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 March 2022

Directors

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

Melvin Tan Wei Yang	Executive Director and Chief Executive Officer (appointed on 30 July 2026)
Maio Dangi	Non-Independent Non-Executive Deputy Chairperson (appointed on 30 July 2026)
Chan Chung Khang	Independent Non-Executive Chairperson (appointed on 2 December 2023)
Jason Fong Jian Sheng	Independent Non-Executive Director (appointed on 2 December 2023)
Toh Hai Joo	Independent Non-Executive Director (appointed on 30 July 2026)

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares, debentures or convertible securities of the Company or any other body corporate.

Directors' interests in shares, convertible securities or debentures

As at 31 March 2022, the directors of the Company holding office at the end of the financial year had interests in the shares, convertible securities or debentures of the Company and/or its related corporations as recorded in the Register of Directors' Shareholdings maintained by the Company pursuant to Section 164 of the Companies Act 1967 of Singapore (the "Act"), as follows:

Name	Shareholdings in the Company registered in the name of a director		
	At 1.4.2020	At 31.03.2021	At 31.03.2022
- Tanoto Sau Ian	22,700,000	22,700,000	22,700,000

By virtue of Section 7 of the Act, the director, Mr. Tanoto Sau Ian is deemed to have an interest in the shares held by the Company in all of its wholly-owned subsidiary corporations.

Except as disclosed in this statement, no director of the Company who held office at the end of the financial year had interests in shares, share options or debentures of the Company or related corporations, either at the beginning or at the end of the financial year.

The director's interest as at 21 April 2022 was the same as that at the end of the reporting year.

USP GROUP LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 March 2022

Share options

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

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

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

Performance Share Plan

The Company has a Performance Share Plan (the "PSP") that is administered by its remuneration committee ("RC") comprising three independent directors, Joseph Tan Chin Aik, Djohan Sutanto and Chia Heng Chian. As at the date of this report, these former Directors have resigned and the Company was placed under Judicial Management from 11 June 2024, up to date of release effective 18 July 2026.

The PSP was approved by members of the Company at an extraordinary general meeting held on 27 February 2015. It was established to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees, executive directors and non-executive directors to achieve increased performance and to foster a greater ownership culture amongst key senior management, senior executives and non-executive directors.

Awards represent the right of a participant to receive fully paid shares free of charge, provided that certain prescribed performance targets, if any, are met at the expiry of the prescribed performance period. Executive directors and employees of the Group and its associated companies who have attained the age of twenty-one years and hold such rank as may be designated by the RC from time to time, and non-executive directors, including independent directors, of the Group, shall be eligible to participate in the PSP. Controlling shareholders of the Company or associates of such controlling shareholders are eligible to participate in the PSP if their participation and awards are approved by independent shareholders in separate resolutions for each such person and for each such award.

The selection of a participant and the number of shares which are the subject of each award to be granted to a participant in accordance with the PSP shall be determined at the absolute discretion of the RC, which shall take into account criteria such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, the participant's contribution to the success and development of the Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance targets within the performance period.

Awards granted under the PSP are principally performance-based with performance targets to be set over a performance period, which may vary from one performance period to another and from one grant to another. Performance targets set by the RC are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. Such performance targets and performance periods will be set according to the specific roles of each participant, and may differ from participant to participant. The performance targets are stretched targets aimed at sustaining long-term growth and will be tied in with the Company's corporate key performance indicators. The RC has the discretion to impose a further vesting period after the performance period to encourage participants to continue serving the Group for a further period of time.

USP GROUP LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 March 2022

Share options (cont'd)

Performance Share Plan (cont'd)

As soon as reasonably practicable after the end of each performance period, the RC shall review the performance targets specified in respect of each award and determine at its discretion whether they have been satisfied and, if so, the extent to which they have been satisfied. Provided that the relevant participant has continued to be a group executive or non-executive director up to the end of the performance period, the RC shall release to the relevant participant all or part of the shares to which the relevant award relates in accordance with the release schedule specified in respect of the relevant award.

The RC shall have the discretion to determine whether the performance condition has been satisfied, whether fully or partially, or exceeded and, in making any such determination, shall have the right to make computational adjustments to the audited results of the Company or the Group to take into account such factors as the RC may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and to amend the performance targets if the RC decides that a changed performance target would be a fairer measure of performance.

The total number of shares which may be issued or transferred pursuant to awards granted under the PSP, when aggregated with the aggregate number of shares over which options are granted under any other share option scheme of the Company, shall not exceed 15% of the total number of issued shares, excluding treasury shares, from time to time. The PSP shall continue in force at the discretion of the RC, subject to a maximum period of 10 years commencing from 27 February 2015, provided always that the PSP may continue beyond the stipulated period with the approval of shareholders of the Company in general meeting and of any relevant authorities which may then be required. The number of shares awarded to each participant is based on the achievement of certain prescribed performance targets.

As at 31 March 2022, the Company has not granted any performance share awards under the Performance Share Plan. Subsequent to the 7.4 million performance shares ("the 7.4 million shares") awarded to Dr Lim Boh Soon on September 2019, the Company commenced a suit against Dr. Lim Boh Soon to return the 7.4 million shares to the Company. Judgement was entered on 18 January 2022 in that Dr Lim Boh Soon shall return the 7.4 million shares to the Company by 8 February 2022 and that the Company shall cause the 7.4 million shares to be cancelled within thirty (30) days of Dr. Lim's return of the 7.4 million shares. Below are details of shares awards previously granted to the directors of the Company.

Name	Date of Award	Number of Shares Awarded	Number of Shares Rescinded	Remaining Shares Awarded
Lim Boh Soon	27 September 2019	7,400,000	(7,400,000)	-

During the current financial year 2022, the Company has rescinded 7,400,000 share issuances under "PSP" to Dr. Lim Boh Soon after the Court judgement made on 18 January 2022 (Note 17).

USP GROUP LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 March 2022

Audit and risk management committee

The audit and risk management committee ("ARMC") comprises three independent non-executive directors. The members of the ARMC at the date of this statement are:

As at the date of the Director's Statement

Toh Hai Joo	Chairperson (appointed 30 July 2026)
Chan Chung Khang	Member (appointed 2 December 2023)
Jason Fong Jian Sheng	Member (appointed 2 December 2023)

The ARMC carries out its functions in accordance with the applicable provisions of the Companies Act 1967, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance. Its principal functions include reviewing significant financial reporting matters and judgements, accounting policies, the adequacy and effectiveness of the Group's internal controls and risk management systems, internal audit matters and interested person transactions. The ARMC also reviews the scope and results of the external audit and matters relating to the independence and objectivity of the independent auditor.

Other functions performed by the ARMC are described in the report on corporate governance included in the annual report of the Company, including an explanation of how external auditor's objectivity and independence is safeguarded.

The ARMC has full access to and cooperation by management and has full discretion to invite any executive director or executive officer to attend its meetings.

The ARMC is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board that PKF-CAP LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

Further details regarding the ARMC are disclosed in the Report on Corporate Governance.

Independent auditor

PKF-CAP LLP, the independent auditor, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors,



Melvin Tan Wei Yang
Executive Director and Chief Executive Officer



Maio Dangi
Non-Executive Non-Independent Deputy Chairman

31 August 2026



PKF-CAP LLP
6 Shenton Way
OUE Downtown 1 #38-01
Singapore 068809

Tel: (65) 6500 9360
www.pkfsingapore.com
UEN: T07LL0568F

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USP GROUP LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of USP Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 102.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Inability to obtain access to component auditor's audit documentation for Supratechnic (M) Sdn. Bhd. ("Supratechnic (M)")

Supratechnic (M), a subsidiary incorporated in Malaysia and audited by another firm of auditor (the "component auditor"), is a significant component of the Group. For the financial year ended 31 March 2022, its financial statements included in the consolidated financial statements of the Group comprised revenue of \$25,964,000 (65.9% of the Group's total revenue), total assets of \$18,944,000 (25.8% of the Group's total assets) and its net profit for the year included in the consolidated statement of profit or loss and other comprehensive income was \$1,178,000.

We requested access to the component auditor's audit documentation supporting the financial statements of Supratechnic (M) for the financial year ended 31 March 2022. However, access was not granted. Accordingly, we were unable to review the work performed or evaluate the audit evidence obtained by the component auditor on the financial statements of Supratechnic (M). In addition, we were also not able to perform alternative audit procedures and therefore not able to obtain sufficient appropriate audit evidence on many elements in the financial statements of Supratechnic (M) such as property, plant and equipment (including right-of-use assets) of \$4,550,000, inventories of \$8,855,000, trade and other receivables of \$2,170,000, cash and cash equivalents of \$3,200,000, bank loans of \$407,000, and related party transactions and balances as at and for the financial year ended 31 March 2022.

As a result, we were unable to determine whether any adjustments were necessary to the balances and transactions reported in the financial statements of Supratechnic (M) including the related disclosures which were included in the consolidated financial statements of the Group for the financial year ended 31 March 2022.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USP GROUP LIMITED (CONT'D)

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

2. Financial information of a subsidiary not audited – PT Supratechnic Instrumentasi Indonesia ("PT Supra")

Unaudited financial information of PT Supra, a subsidiary of the Company as well as a significant component of the Group was consolidated with the financial statements of the Group for the financial year ended 31 March 2022. The total assets and total liabilities of PT Supra included in the consolidated statement of financial position as at 31 March 2022 were \$2,751,000 and \$2,979,000 respectively, and its net loss for the year included in the consolidated statement of profit or loss and other comprehensive income was \$64,000.

We were unable to obtain sufficient appropriate audit evidence in respect of the financial information of PT Supra included in the Group's consolidated financial statements because we were unable to obtain access to the underlying accounting records, supporting schedules and other source documentation relating to the financial information, including the related consolidation adjustments. We were also unable to obtain sufficient explanations and supporting evidence from the personnel responsible for the preparation of that financial information and the related consolidation adjustments. Consequently, we were unable to perform the audit procedures that we considered necessary in the circumstances, and no practicable alternative audit procedures were available to us. Accordingly, we were unable to obtain sufficient appropriate audit evidence on many elements recorded in the financial information of PT Supra such as property, plant and equipment (including right-of-use assets) of \$342,000, inventories of \$1,089,000, trade and other receivables of \$236,000, cash and cash equivalents of \$988,000 and related party transactions and balances as at and for the financial year ended 31 March 2022.

Consequently, we were unable to determine whether any adjustments were necessary to the balances and transactions recorded in the financial information of PT Supra including the related disclosures which were included in the consolidated financial statements of the Group for the financial year ended 31 March 2022.

3. Impairment assessment of property, plant and equipment and goodwill

As disclosed in Notes 11 and 14 to the financial statements, the Group carried property, plant and equipment (including right-of-use assets) of \$23,370,000 and goodwill of \$459,000 as at 31 March 2022, which are subject to impairment assessment under SFRS(I) 1-36 *Impairment of Assets*.

Included in the above balance of property, plant and equipment (including right-of-use assets) are amounts of \$4,550,000 and \$342,000 attributable to Supratechnic (M) and PT Supra respectively. For the reasons set out in paragraphs 1 and 2 of this section, we were unable to obtain sufficient appropriate audit evidence on the impairment assessment of the property, plant and equipment (including right-of-use assets) attributable to these two entities.

The remaining property, plant and equipment (including right-of-use assets) of \$18,478,000 and the full carrying amount of goodwill of \$459,000 related to other components of the Group. We were unable to obtain sufficient appropriate audit evidence on the impairment assessment of these balances, including the identification of cash-generating units, allocation of goodwill, determination of recoverable amounts and the underlying key assumptions that were applied. Furthermore, no alternative audit procedures could be performed.

Consequently, we were unable to obtain sufficient appropriate audit evidence regarding the recoverability of these assets and whether any impairment losses or related disclosure were required in accordance with SFRS(I) 1-36.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USP GROUP LIMITED (CONT'D)

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

4. Expected credit losses on trade and other receivables

As disclosed in Note 17 to the financial statements, the Group carried trade receivables of \$2,733,000 and other receivables of \$395,000 (both from third parties and net of allowances for impairment) as at 31 March 2022, being financial assets subject to expected credit loss ("ECL") requirements of SFRS(I) 9 Financial Instruments.

Included in the above balances are trade and other receivables of \$2,170,000 and \$236,000 attributable to Supratechnic (M) and PT Supra respectively. For the reasons set out in paragraphs 1 and 2 of this section, we were unable to obtain sufficient appropriate audit evidence on the recoverability of these financial assets including the adequacy of the related expected credit loss allowances recognised in accordance with SFRS(I) 9 *Financial Instruments*.

The remaining trade and other receivables of \$722,000 related to other components of the Group. We were unable to obtain sufficient appropriate audit evidence on the recoverability of these balances and the determination of the related ECL allowances, including the key assumptions and forward-looking information that were applied. Furthermore, no alternative audit procedures could be performed.

Accordingly, we were unable to determine whether any adjustments to the carrying amounts of trade and other receivables, the related ECL allowances and the related disclosures, were necessary in the consolidated financial statements of the Group.

5. No bank confirmations were received for cash and cash equivalents and bank loans

As disclosed in Notes 18 and 23 to the financial statements, the Group carried cash and cash equivalents of \$6,434,000 and bank loans of \$33,516,000 as at 31 March 2022. Of these balances, cash and cash equivalents of \$3,200,000 and bank loans of \$407,000 were attributable to Supratechnic (M), and cash and cash equivalents of \$988,000 was attributable to PT Supra. For the reasons set out in paragraphs 1 and 2 of this section, we were unable to obtain sufficient appropriate audit evidence on the existence, completeness and valuation of these balances.

The remaining cash and cash equivalents of \$2,246,000 and bank loans of \$33,109,000 related to the Company and certain Singapore-incorporated subsidiaries (the "Singapore Entities"). We did not receive direct confirmations from the relevant financial institutions in respect of these balances, and the alternative audit procedures performed, including inspection of available bank statements and loan repayment schedules, did not enable us to obtain sufficient appropriate audit evidence regarding the existence, completeness and valuation of these balances, nor the completeness of any related security arrangements, guarantees, contingent liabilities or other banking relationships.

Accordingly, we were unable to determine whether any adjustments to the carrying amounts of cash and cash equivalents, bank loans and contingent liabilities, and the related disclosures, were necessary in the accompanying financial statements.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USP GROUP LIMITED (CONT'D)

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

6. Existence and valuation of inventories

As disclosed in Note 16 to the financial statements, the Group held inventories of \$11,686,000 as at 31 March 2022. Of this balance, inventories of \$8,855,000 and \$1,089,000 were attributable to Supratechnic (M) and PT Supra respectively. For the reasons set out in paragraphs 1 and 2 of this section, we were unable to obtain sufficient appropriate audit evidence on the existence, completeness and valuation of these inventories.

The remaining inventories of \$1,742,000 were held by other components of the Group. The physical inventory counts in respect of these balances were conducted on dates other than the financial year end, and we were unable to perform roll-back procedures to reconcile the inventory counts to the year-end quantities. The alternative audit procedures performed did not, individually or in aggregate, constitute sufficient appropriate audit evidence to enable us to conclude on the existence, completeness and valuation of these inventories.

Accordingly, we were unable to determine whether any adjustments to the carrying amount of inventories and the related disclosures were necessary in the accompanying financial statements.

7. Classification of borrowings – compliance with loan covenants

As disclosed in Note 23 to the financial statements, the Group had bank borrowings of \$33,516,000 as at 31 March 2022, of which \$1,231,000 was classified as non-current liabilities. Under SFRS(I) 1-1 *Presentation of Financial Statements*, these borrowings are required to be classified as current liabilities if, as at the reporting date, the Group or the Company had breached a covenant attached to the borrowings such that the borrowings became repayable on demand, notwithstanding any agreement by the lenders after the reporting date not to demand repayment.

The borrowings were subject to financial and other covenants. The assessment of compliance with these covenants as at 31 March 2022 is central to the classification of the borrowings between current and non-current liabilities. We were unable to obtain sufficient appropriate audit evidence regarding compliance with the applicable loan covenants as at 31 March 2022, including evidence supporting management's assessment of covenant compliance where applicable.

As a result, we were unable to determine whether the borrowings classified as non-current liabilities should have been classified as current liabilities, and accordingly whether any adjustments to the classification of borrowings between current and non-current liabilities, and the related disclosures, were necessary in the accompanying financial statements.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USP GROUP LIMITED (CONT'D)

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

8. Completeness of related party transactions

As disclosed in Note 29 to the financial statements, related party transactions and balances of the Group as at and for the financial year ended 31 March 2022 are subject to the disclosure requirements of SFRS(I) 1-24 *Related Party Disclosures*. We were unable to obtain sufficient appropriate audit evidence on the completeness of the identification, authorisation and disclosure of the Group's related party relationships, transactions and balances, as records and documentation were not made available to us. This limitation is compounded by the matters set out in paragraphs 1 and 2 of this section, as the records and financial information of Supratechnic (M) and PT Supra were also not made available to us, further precluding us from obtaining sufficient appropriate audit evidence on the completeness of related party transactions and balances involving these two entities.

Accordingly, we were unable to determine whether any adjustments to, or additional disclosures of, related party transactions and balances were necessary in the accompanying financial statements.

9. Access to statutory records

The Company and certain of its subsidiaries were placed under judicial management, and there were subsequent changes in management, following which we were not provided with the statutory records including directors' resolutions, minutes of meetings and other supporting documentation which were necessary for our audit for the financial year ended 31 March 2022. As a result, we were unable to obtain sufficient appropriate audit evidence over the governance of the Group, the key decisions taken during the financial year, and other matters that may have a material effect on the accompanying financial statements.

Accordingly, we were unable to determine whether any adjustments were necessary in respect of recorded or unrecorded transactions, balances or disclosures, or other matters, in the accompanying financial statements.

10. Inability to obtain confirmations in respect of legal matters

As disclosed in Note 27 to the financial statements, the Group is involved in various legal proceedings, both as plaintiff and defendant, which give rise to provisions, contingent liabilities and contingent assets subject to SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. We were unable to obtain sufficient appropriate audit evidence over the completeness, current status, likely outcomes and potential financial effects of these matters through letters of audit inquiry sent directly to the Group's external legal counsel. No replies to our letters of audit inquiry were received. As set out in paragraph 9 of this section, this was principally attributable to the Company and certain subsidiaries having been placed under judicial management and the subsequent changes in management, which disrupted access to historical legal records and the coordination and authorisation necessary for the external legal counsel to respond. The alternative procedures performed, including inspection of available legal correspondence and court documents, did not enable us to obtain sufficient appropriate audit evidence over the completeness of the legal proceedings or the measurement and disclosure of the related provisions, contingent liabilities and contingent assets.

Accordingly, we were unable to determine whether any adjustments to, or additional disclosures of, the related provisions, contingent liabilities and contingent assets were necessary in the accompanying financial statements.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USP GROUP LIMITED (CONT'D)

11. Impairment assessment of the Company's investment in subsidiaries

As disclosed in Note 13 to the financial statements, the Company carried investments in subsidiaries at cost less accumulated impairment losses of \$1,197,000 as at 31 March 2022, which are subject to impairment assessment under SFRS(I) 1-36 *Impairment of Assets*. We were unable to obtain sufficient appropriate audit evidence regarding management's impairment assessment of investments in subsidiaries, including evidence supporting the recoverable amounts of the underlying investments and the assumptions applied in determining those recoverable amounts. Accordingly, we were unable to determine whether any adjustment to the carrying amount of investments in subsidiaries, or the related disclosures, was necessary.

12. Expected credit losses on amounts due from subsidiaries and related parties

As disclosed in Note 17 to the financial statements, the Company carried amounts due from subsidiaries and related parties of \$9,896,000, net of an allowance for impairment of \$29,842,000, as at 31 March 2022. These balances are subject to the expected credit loss ("ECL") requirements of SFRS(I) 9 *Financial Instruments*. We were unable to obtain sufficient appropriate audit evidence on the recoverability of these balances including the adequacy of the related expected credit loss allowances recognised in accordance with SFRS(I) 9.

For the reasons set out in paragraphs 1, 2 and 9 of this section, the same audit evidence limitations preclude us from obtaining sufficient appropriate audit evidence on the recoverability of amounts due from Supratechnic (M), PT Supra and the subsidiaries and related parties under judicial management. Furthermore, no alternative audit procedures could be performed.

Accordingly, we were unable to determine whether any adjustments to the carrying amount of amounts due from subsidiaries and related parties, the related allowance for impairment and the related disclosures, were necessary in the statement of financial position of the Company.

The possible effects of the matters (1) to (12) described above, individually and in aggregate, on these financial statements are, in our opinion, both material and pervasive.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USP GROUP LIMITED (CONT'D)

Report on the Audit of the Financial Statements (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the accompanying financial statements in accordance with Singapore Standards on Auditing and to issue an independent auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Matter

The financial statements of the Company and its subsidiaries for the financial year ended 31 March 2021 were audited by another firm of auditor who expressed an unmodified opinion on those statements on 11 February 2022 which included references to material uncertainty related to going concern and emphasis of matter on contingencies arising from ongoing legal lawsuits.

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Eng Kian.

A handwritten signature in black ink, appearing to read "Lee Eng Kian".

PKF-CAP LLP

Public Accountants and
Chartered Accountants

Singapore

31 August 2026

USP GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial year ended 31 March 2022

	Note	2022 \$'000	2021 \$'000
Revenue	4	39,388	34,077
Cost of sales		(24,451)	(22,237)
Gross profit		14,937	11,840
Other income			
- Interest income		41	55
Other gains and losses			
- Impairment loss on financial assets		-	(629)
- Others	5	1,729	1,022
Expenses			
Distribution costs		(436)	(405)
Administrative expenses		(12,281)	(11,509)
Finance costs	6	(1,176)	(1,793)
Profit/(Loss) before tax	7	2,814	(1,419)
Tax (expense)/credit	9	(352)	150
Profit/(Loss) for the financial year		2,462	(1,269)
Other comprehensive income/(loss):			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Currency translation differences arising on consolidation		(955)	(227)
Total comprehensive income/(loss) for the financial year		1,507	(1,496)
<u>Income/(Loss) attributable to:</u>			
Equity holders of the Company		2,481	(1,250)
Non-controlling interests		(19)	(19)
Income/(Loss) for the financial year		2,462	(1,269)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		1,526	(1,477)
Non-controlling interests		(19)	(19)
		1,507	(1,496)
Earnings/(Loss) per share for income/(loss) attributable to equity holders of the Company (cents per share)			
Basic and diluted earnings/(loss) per share	10	2.75	(1.28)

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

USP GROUP LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2022

		Group		Company	
	Note	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<u>ASSETS</u>					
Non-current assets					
Property, plant and equipment	11	23,370	25,144	221	376
Investment properties	12	26,000	26,000	-	-
Intangible assets	14	459	459	-	-
Investments in subsidiaries	13	-	-	1,197	1,197
Deferred tax assets	15	416	368	-	-
		50,245	51,971	1,418	1,573
Current assets					
Inventories	16	11,686	9,777	-	-
Trade and other receivables	17	4,982	5,227	10,491	9,614
Cash and cash equivalents	18	6,434	4,970	882	350
		23,102	19,974	11,373	9,964
Total assets		73,347	71,945	12,791	11,537
<u>LIABILITIES</u>					
Non-current liabilities					
Deferred tax liabilities	15	1,344	1,481	162	162
Other payables	22	678	274	-	-
Borrowings	23	1,231	19,146	-	-
Lease liabilities	33	4,603	4,626	-	-
Provisions	24	191	191	-	-
Liabilities for post-employment benefits		-	106	-	-
		8,047	25,824	162	162
Current liabilities					
Trade and other payables	25	8,613	5,881	4,288	4,398
Contract liabilities	26	605	904	-	-
Borrowings	23	32,285	16,680	1,000	-
Lease liabilities	33	257	477	108	123
Tax payables		195	82	-	-
Total current liabilities		41,955	24,024	5,396	4,521
Total liabilities		50,002	49,848	5,558	4,683
Net assets		23,345	22,097	7,233	6,854
<u>EQUITY</u>					
Share capital	19	50,913	51,172	50,913	51,172
Treasury Shares	20	(99)	(99)	(99)	(99)
Other reserves	21	3,746	4,701	(355)	(355)
Accumulated losses		(31,184)	(33,665)	(43,226)	(43,864)
Equity attributable to equity holders of the Company		23,376	22,109	7,233	6,854
Non-controlling interests		(31)	(12)	-	-
Total equity		23,345	22,097	7,233	6,854

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

USP GROUP LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2022

	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Accumulated losses \$'000	Equity attributable to equity holders of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
Group							
Balance at 1 April 2021	51,172	(99)	4,701	(33,665)	22,109	(12)	22,097
Profit for the financial year	-	-	-	2,481	2,481	(19)	2,462
<i>Other comprehensive income/(loss)</i>							
Currency translation differences arising from consolidation	-	-	(955)	-	(955)	-	(955)
Total comprehensive income/(loss) for the financial year	-	-	(955)	2,481	1,526	(19)	1,507
Transaction with owners, recognised directly in equity							
Rescinded bonus share issue	(259)	-	-	-	(259)	-	(259)
Balance at 31 March 2022	50,913	(99)	3,746	(31,184)	23,376	(31)	23,345

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

USP GROUP LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2022

	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Accumulated losses \$'000	Equity attributable to equity holders of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
Group							
Balance at 1 April 2020	51,172	(99)	4,928	(32,415)	23,586	7	23,593
Loss for the financial year	-	-	-	(1,250)	(1,250)	(19)	(1,269)
<i>Other comprehensive loss</i>							
Currency translation differences arising from consolidation	-	-	(227)	-	(227)	-	(227)
Total comprehensive loss for the financial year	-	-	(227)	(1,250)	(1,477)	(19)	(1,496)
Balance at 31 March 2021	51,172	(99)	4,701	(33,665)	22,109	(12)	22,097

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

USP GROUP LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2022

	Share capital \$'000	Treasury shares \$'000	Other reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Company					
Balance at 1 April 2020	51,172	(99)	(355)	(39,263)	11,455
Total comprehensive loss for the financial year	-	-	-	(4,601)	(4,601)
Balance at 31 March 2021	51,172	(99)	(355)	(43,864)	6,854
Total comprehensive income for the financial year	-	-	-	638	638
Transaction with owners, recognised directly in equity					
Rescinded bonus share issue	(259)	-	-	-	(259)
Balance at 31 March 2022	50,913	(99)	(355)	(43,226)	7,233

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

USP GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2022

	2022	2021
	\$'000	\$'000
Group		
Cash flows from operating activities		
Profit/(Loss) before tax	2,814	(1,419)
<i>Adjustments for:</i>		
Bad debt written off	-	559
Deposits written off	-	60
Depreciation of property, plant and equipment	1,594	2,307
Fair value loss on investment properties	-	2,000
Unrealised exchange (gains)/losses, net	(580)	(378)
Gain on disposal of property, plant and equipment	(301)	(252)
Gain on derivative financial instruments	-	(14)
Gain on disposal of financial assets at fair value through profit or loss	-	(1,037)
Impairment loss on other receivables	-	57
(Reversal of)/Impairment loss on trade receivables	(19)	13
Intangible assets written off	-	1
Interest expense	1,130	1,467
Interest expense on lease liabilities	46	326
Interest income	(41)	(55)
Inventory written down	-	271
Non-cash rent concession	(3)	(78)
Operating cash flows before movement in working capital	4,640	3,828
Trade and other receivables	5	164
Inventories	(1,909)	1,307
Trade and other payables	3,030	(383)
Contract liabilities	(299)	612
Realised Exchange (losses)/gains, net	32	14
Cash generated from operations	5,499	5,542
Income tax paid	(424)	(137)
Net cash generated from operating activities	5,075	5,405

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

USP GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2022

	2022 \$'000	2021 \$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,138)	(268)
Payment of deferred consideration	-	(350)
Proceeds on disposal of property, plant and equipment	1,244	2,000
Proceed from disposal of financial assets at fair value through profit or loss	-	1,037
Consideration deposit for disposal of a subsidiary	-	1,500
Interest received	41	55
Net cash generated from investing activities	147	3,974
Cash flows from financing activities		
Proceeds from loans and borrowings	-	282
Repayment of loans and borrowings	(2,680)	(5,013)
Proceeds from loan from shareholder	1,000	-
Repayment of loan from third party	-	(150)
Increase in fixed deposits pledged	-	(66)
Repayment to shareholder	-	(1,500)
Repayment of lease liabilities	(240)	(432)
Interest paid	(1,130)	(976)
Interest paid on lease liabilities	(46)	(326)
Net cash used in financing activities	(3,096)	(8,181)
Net increase in cash and cash equivalents	2,126	1,198
Cash and cash equivalents at beginning of financial year	1,345	147
Cash and cash equivalents at end of financial year (Note 18)	3,471	1,345

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

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

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

1. Corporate information

USP Group Limited (the “**Company**”) (Co. Reg. No. 200409104W) is incorporated and domiciled in Singapore. The address of its registered office and principal place of business is at 141 Cecil Street, Tung Ann Association Building, Singapore, 069541. The Company is listed on the Main board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Singapore dollar (“\$”) (rounded to the nearest thousand (**\$’000**) unless indicated otherwise), and have been prepared in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International) (“**SFRS(I)**”).

The financial statements have been prepared under the historical cost convention except as disclosed in the following accounting policies.

The preparation of financial statements in conformity with **SFRS(I)** requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

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

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables (except for lease liabilities) approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

SFRS(I)s and INT SFRS(I) issued but not yet effective

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant to the Group's accounting periods beginning after 1 April 2021 and which the Group has not early adopted

	Effective for annual periods beginning on or after
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to SFRS(I) 1-8 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to SFRS(I) 1-12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to SFRS(I) 1-1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to SFRS(I) 1-1 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to SFRS(I) 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to SFRS(I) 1-7 and SFRS(I) 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to SFRS(I) 1-21 <i>Lack of Exchangeability</i>	1 January 2025
Amendments to SFRS(I) 9 and SFRS(I) 7 <i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Amendments to SFRS(I) 9 and SFRS(I) 7 <i>Contracts Referencing Nature-dependent Electricity</i>	1 January 2026
Annual Improvements to SFRS(I)s – Volume 11	1 January 2026
SFRS(I) 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027

Except for SFRS(I) 18: *Presentation and Disclosure in Financial Statements*, the directors expect that the adoption of the standards will have no material impact on financial statements in the period of initial adoption except for the following:

SFRS(I)18 *Presentation and Disclosure in Financial Statements*

SFRS(I)18 replaces SFRS(I) 1-1, carrying forward many of the requirements in SFRS(I)1-1 unchanged and complementing them with new requirements. In addition, some SFRS(I)1-1 paragraphs have been moved to SFRS(I)1-8 and SFRS(I)1-7. Furthermore, minor amendments to SFRS(I)1-7 and SFRS(I)1-33 *Earnings per Share* have been made.

SFRS(I)18 introduces new requirements to:

- Present specified categories and defined subtotals in the statement of profit or loss
- Provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- Improve aggregation and disaggregation.

An entity is required to apply SFRS(I)18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to SFRS(I)1-7 and SFRS(I)1-33, as well as the revised SFRS(I)1-8 and SFRS(I)7, become effective when an entity applies SFRS(I)18. SFRS(I)18 requires retrospective application with specific transition provisions.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

b) Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sales of goods

Revenue from sale of marine equipment and accessories, scientific and precision equipment and recycling of waste oil is recognised at a point in time when the performance obligation is satisfied by transferring promised goods to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered). For sale of goods where advances are received from customers, the differences between the consideration received in accordance with the payment terms and revenue recognised is classified as contract liabilities.

Rendering of services

Revenue from rendering of marine equipment related services, calibration services and other rental related services is recognised when the Company satisfies the performance obligation at a point in time once the service has been completed.

Rental income

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(i). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

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

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

d) Basis of consolidation (cont'd)

When a change in the Company's ownership interest in a subsidiary result in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated losses if required by a specific SFRS(I).

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

e) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

f) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

g) Employee benefits

Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of the reporting period.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

g) Employee benefits (cont'd)

Defined benefit plans

The Group is required to provide a minimum amount of pension benefits in accordance with Indonesian Labour Law No.13/2003. Since the Labour Law sets the formula for determining the minimum amount of benefits, in substance pension plans under the Labour Law represent defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustment for unrecognised actuarial gains or losses and past service costs. The defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (considering currently in Indonesia there is no deep market for high-quality corporate bonds) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

h) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

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

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

i) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

j) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any accumulated impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is 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 property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, 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 Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation

No depreciation is provided on freehold land. Leasehold land and buildings are amortised evenly over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

Depreciation (cont'd)

Depreciation is calculated on a straight-line basis to write off the cost or revalued amount of other property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

	Years
Freehold buildings	50
Leasehold land and properties	16 to 41
Leasehold improvement	3 to 10
Plant and machinery	5 to 10
Office equipment	3 to 10
Furniture and fittings	5 to 10
Motor vehicles	4 to 8
Computers	3 to 5

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Properties in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

k) Investment properties

Investment properties are properties that are either owned by the Group or right-of-use assets that are held to earn rentals or for capital appreciation, or both, or land held for a currently undetermined future use. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by external professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

l) Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives of customer relationship is estimated to be 10 years.

m) Impairment of non-financial assets excluding goodwill

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

o) Leases

When a Group entity is the lessee

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease 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 Group and payments of penalties for terminating the lease, if the lease term reflects the Group 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.

The lease liability is presented within “borrowings” and “liabilities directly associated with disposal group classified as held for sale” in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever 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.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

o) Leases (cont'd)

Right-of-use assets (cont'd)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

If ownership of the leased asset transfers to the Group 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 depreciation starts at the commencement date of the lease.

The right-of-use assets (except for those which meets the definition of an investment property) are presented within "Property, plant and equipment" in the statements of financial position and disclosed in Note 12. Right-of-use asset which meets the definition of an investment property are presented within "Investment properties" and accounted in accordance with Note 2(k).

The Group applies SFRS(I) 1-36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(m).

When a Group entity is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes both lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration under the contract to each component.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

p) Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss ("FVTPL").

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Subsequent measurement

Debt instruments

Debt instruments include cash and cash equivalents, trade receivables and other receivables (excluding prepayments, tax recoverable, other recoverable and advance payment to supplier). The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in either "other income" or "other expenses".

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

p) Financial assets (cont'd)

Impairment

The Group recognises an allowance for expected credit losses (“ECLs”) for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. 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 required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

Financial assets and liabilities are offset and the net amount presented on the statements of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

q) Cash and cash equivalents in the statement of cash flows

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts that form an integral part of the Group's cash management, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged fixed deposits. Bank overdrafts are included in current borrowings on the statements of financial position.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

r) Financial liabilities

Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

s) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the amount initially recognised less cumulative amount of income recognised in accordance with the principles of SFRS(I) 15 and the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

t) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage time is recognised as a finance cost in profit or loss.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

u) Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at the subsequent reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instruments, and if so, the nature of the item being hedged.

Changes in the fair value of derivative financial instruments that are not designated or do not qualify for hedge accounting are recognised in profit or loss as they arise.

v) Share capital

Ordinary shares

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.

Treasury shares

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of the capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

w) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar, which is the Company's functional and presentation currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

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

Translation of Group entities' financial statements

The financial performance and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign operation/entity, the cumulative amount of the foreign currency translation reserve relating to that particular foreign operation/entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

2. Summary of significant accounting policies (cont'd)

x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

y) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

The assets are not depreciated or amortised while they are classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

The entity shall measure a non-current asset or disposal group that ceases to be classified as held for sale or ceases to be included in a disposal group at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell or distribute. The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in profit or loss from continuing operations in the period in which the non-current asset (or disposal group) that ceases to be classified as held for sale or ceases to be included in a disposal group classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the financial year. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Critical judgements made in applying accounting policies

In the process of applying the Group's summary of significant accounting policies which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Going concern assumption

As at 31 March 2022, the Group's current liabilities exceeded its current assets by \$18,853,000 (2021: \$4,050,000). This net current liability position, together with the events and conditions described below, indicates the existence of uncertainties that may cast doubt on the ability of the Group and the Company to continue as going concerns. Nevertheless, for the reasons and mitigating factors set out below, the Board of Directors considers that the going concern basis of preparation remains appropriate.

Winding-Up application

On 21 November 2023, a creditor filed a winding-up application in the High Court of Singapore against the Company in respect of a claim of approximately \$95,488 under a deed of indemnity. Hearings in respect of the application were initially scheduled for December 2023 and January 2024.

The proceedings were subsequently stayed by the statutory moratorium that took effect upon the Company being placed under interim judicial management on 11 March 2024 and remained stayed until the Company's discharge from judicial management took effect on 18 July 2026.

Trading in the shares of the Company on the Singapore Exchange Securities Trading Limited was suspended with effect from 23 February 2024.

Under Judicial Management ("JM")

On 23 February 2024, the Board of Directors announced that, in view of the financial difficulties faced by the Group, an application had been made to the High Court to place the Company under judicial management.

Interim Judicial Managers from Deloitte & Touche LLP were appointed on 11 March 2024. Subsequently, on 11 June 2024, the High Court granted an order placing the Company under judicial management. Upon the order, the appointed Judicial Managers assumed control of the affairs of the Company and a statutory moratorium took effect in respect of proceedings against the Company while the restructuring plan was being pursued.

On 17 July 2026, the Company announced that it would be discharged from judicial management with effect from 18 July 2026, following the implementation of the restructuring arrangements described below.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Critical judgements made in applying accounting policies (cont'd)

Going concern assumption (cont'd)

Entry into Implementation Agreement ("IA")

On 24 April 2024, the Company entered into an implementation agreement with Hinterland Investments Pte Ltd (the "Investor") in relation to, amongst others, rescue financing to facilitate its ongoing restructuring process (the "Restructuring").

Subsequently, on 2 May 2024, the Company announced the details of the implementation agreement, which included provisions for new loans, potential equity conversions and security arrangements, subject to various conditions precedent.

The implementation agreement was intended to provide the Company with access to additional funds to support its working capital and restructuring requirements. In this regard, the Investor has provided a written undertaking to provide continuing financial support to the Company and its subsidiaries to enable them to continue as going concerns and to meet their obligations as and when they fall due for at least 12 months from the date of approval of these financial statements by the Board of Directors.

Restructuring plan, creditors' meetings and extension of the JM order

On 6 September 2024, a meeting of creditors of the Company was held to consider the Judicial Managers' Statement of Proposals for the restructuring of the Group. At the meeting, the creditors approved the Judicial Managers' restructuring plan and endorsed an extension of the judicial management order by a further six months.

Pursuant to this approval, the High Court extended the judicial management period to March 2025.

On 3 June 2025, the High Court granted a further extension of the judicial management of the Company and the Judicial Managers' term by an additional 180 days, from 8 June 2025 to 5 December 2025, to allow additional time for the implementation of the restructuring plan.

Subsequently, on 3 June 2025, the Court granted a further extension of the judicial management of the Company and the Judicial Managers' term by an additional 180 days (8 June 2025 to 5 December 2025) to allow more time for implementation of the plan.

On 28 October 2025, a further meeting of creditors of the Company was held to consider the Judicial Managers' Statement of Proposals for the restructuring of the Group. At the meeting, the creditors approved the Judicial Managers' restructuring plan and endorsed a further extension of the judicial management order.

On 4 December 2025, the High Court granted a further extension of the judicial management of the Company and the Judicial Managers' term by an additional 180 days, from 5 December 2025 to 5 June 2026, to allow additional time for the implementation of the restructuring plan.

On 9 April 2026, the scheme creditors approved the scheme of arrangement at a meeting of scheme creditors.

On 21 May 2026, the High Court sanctioned the scheme of arrangement in OA 472 under Section 210(4) of the Companies Act 1967 and granted a further extension of the judicial management of the Company up to 17 July 2026 to facilitate the completion and implementation of the restructuring.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Critical judgements made in applying accounting policies (cont'd)

Going concern assumption (cont'd)

Restructuring plan, creditors' meetings and extension of the JM order (cont'd)

Following the implementation of the scheme of arrangement, the Company announced on 17 July 2026 that it would be discharged from judicial management with effect from 18 July 2026.

Disposal of the properties of subsidiaries

On 22 November 2022, the Company's wholly-owned subsidiary, Supratechnic Pte. Ltd., granted an option to purchase to Liang & How Contractor Pte. Ltd. for the disposal of its property located at 16A Joo Koon Circle, Singapore 629048, for a consideration of \$5,300,000.

The disposal was completed on 21 July 2023. The proceeds from the disposal were applied towards the settlement of the defaulted loan disclosed in Note 23.

On 22 February 2024, the Company's subsidiary, Koon Cheng Development Pte Ltd, completed the disposal of three properties located at 182, 184 and 186 Woodlands Industrial Park E5, Singapore 757515, to Royal's Engineering & Trading (S) Pte Ltd for an aggregate consideration of \$22,000,000.

On 16 February 2026, the subsidiary entered into settlement agreements with the purchaser to conclude the outstanding matters relating to the transaction. The proceeds from the disposal were applied towards the discharge of the Group's secured obligations and the improvement of the Group's liquidity position.

On 18 July 2024, a subsidiary entered into a contract for the disposal of its property located at 51 Bukit Batok Crescent #03-26/27 Unity Centre, Singapore 658077, to B + L Investment Pte Ltd for a sale consideration of \$1,650,000, excluding GST.

The disposal formed part of the Group's restructuring measures to realise asset value, reduce liabilities and strengthen its working capital position. The disposal was completed on 29 October 2024.

On 16 December 2024, the Company's subsidiary, Biofuel Research Pte Ltd, completed the disposal of its investment property located at 2 Tuas South Street 15, Singapore 637079, to Excellence New Energy (S) Pte Ltd for a consideration of \$3,920,000. The proceeds from the disposal contributed towards the Group's debt reduction and working capital requirements.

On 28 April 2026, the Company's subsidiary, Supratechnic Properties Sdn Bhd, entered into an agreement to dispose of its property at No. 2 Jalan Tiang U8/91, Bukit Jelutong Industrial Park, Shah Alam, Selangor, Malaysia, for a consideration of RM20,000,000 (approximately \$6,370,000).

An application for a waiver from the relevant SGX-ST requirement was submitted on 15 May 2026, and the waiver was granted on 2 June 2026. The net proceeds from the proposed disposal are intended to be applied towards the settlement of creditors and the working capital requirements of the Group.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Critical judgements made in applying accounting policies (cont'd)

Going concern assumption (cont'd)

Settlement with UOB

On 25 June 2025, the High Court granted the Judicial Managers liberty to enter into a settlement agreement with UOB on behalf of the Group.

Following negotiations, the Judicial Managers reached a settlement with UOB in July 2025 and, in August 2025, UOB provided executed documents for the release and discharge of its security interests, except for certain corporate guarantees, over the Group's assets.

UOB also obtained leave of court to withdraw its winding-up applications against two subsidiaries of the Company following the settlement.

The settlement reduced the Group's exposure to enforcement actions and formed part of the broader measures undertaken to restructure the Group's financial obligations and stabilise its financial position.

Board of Directors' assessment

In determining whether the going concern basis remains appropriate, the Board of Directors has considered the above developments together with the financial forecasts, financing arrangements and operational measures implemented or available to the Group and the Company.

In particular, the Board of Directors considered the following:

1. The Group has prepared an 18-month consolidated cash flow forecast for the period from 1 April 2026 to 30 September 2027. Based on the forecast and the assumptions adopted therein, the Group and the Company are expected to generate sufficient cash flows to meet their financial obligations as and when they fall due for at least 12 months from the date of approval of these financial statements.

In preparing the forecast, management has taken into consideration the following matters:

- (a) the expected positive operating cash flows from the Group's principal operating segments, comprising the distribution of marine engine products and the supply and calibration of scientific and industrial instrumentation, supported by appointments secured subsequent to the reporting date as distributor of IQAir air purification products in Singapore and Indonesia and as authorised dealer and distributor for Honda Marine and Hidea outboard motors;
- (b) the cost management and operational efficiency measures implemented by management to contain the Group's operating expenditure and preserve its operating margins over the forecast period; and

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Critical judgements made in applying accounting policies (cont'd)

Going concern assumption (cont'd)

Board of Directors' assessment (cont'd)

- (c) the compromise and rescheduling of the Group's liabilities pursuant to the scheme of arrangement sanctioned by the High Court on 21 May 2026, under which the claims of scheme creditors are to be settled in accordance with the terms of the scheme rather than on demand, thereby reducing the Group's contractual cash outflows over the forecast period.
- 2. On 19 September 2025, the Company entered into a conditional, non-interest-bearing convertible financing arrangement with Ascendro Group for funding of up to \$3,000,000, subject to the satisfaction of the conditions stipulated in the financing agreement.
- 3. The proposed disposal of the Shah Alam property for RM20,000,000 (approximately \$6,370,000), as described above, is expected to generate additional funds for the settlement of creditors and the working capital requirements of the Group.
- 4. The Company was discharged from judicial management on 18 July 2026 following the implementation of the scheme of arrangement, enabling the Company to resume the normal conduct of its business.
- 5. The Company has obtained additional financing support from Ascendro Group Limited and Hinterland Investments Pte Ltd (collectively known as "investors") in an aggregate amount of up to \$2,000,000. In addition, the investors have given a written undertaking to provide financial support to the Group and Company to enable the Group and Company to operate as going concerns and to meet their liabilities as and when they fall due within the next 12 months from the date of approval of the financial statements by the Board of Directors.
- 6. The Company intends to undertake a compliance placement of new shares to new investors as part of its trading resumption proposal to SGX RegCo, to raise additional working capital and to restore compliance with the shareholding spread requirement under the SGX-ST Listing Manual.

Having considered the above factors, including the restructuring measures completed subsequent to the financial year, the financing arrangements available to the Group and the Company, the Group's forecasted operating cash flows and the assumptions underlying the cash flow forecast, the Board of Directors is of the view that the Group and the Company have adequate resources to continue in operational existence and to meet their financial obligations as and when they fall due for at least 12 months from the date of approval of these financial statements.

Accordingly, the Board of Directors considers that the use of the going concern basis in the preparation of the financial statements is appropriate.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary including the provision for further liabilities that might arise if the Group and the Company are unable to continue as going concerns.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Critical judgements made in applying accounting policies (cont'd)

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices of their goods and services.

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 financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Calculation of allowance for impairment loss for financial assets at amortised cost

When measuring ECL, the Group and the Company use reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group uses provision matrix to calculate ECL 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 Group's historical observed default rates. The Group will adjust historical credit loss experience with current and forward-looking information.

As the calculation of impairment loss allowance on trade receivables and other receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of receivables. Details of ECL measurement and carrying value of trade and other receivables at the end of the reporting period are disclosed in Note 17.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

Valuation of inventories

A review is made on inventory for obsolete or slow-moving inventory and declines in net realisable value below cost and inventories are written down for any such declines. The review requires management to consider the future demand for the products. In any case, the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The considerations for estimating the net realisable values and determining the amount of write-down include current economic condition, historical sales record, ageing analysis, technical assessment and subsequent sales. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Any significant changes in anticipated future selling prices and saleability may affect the carrying value of the inventories.

The carrying amount of the Group's inventories at the end of the reporting period and the amount of inventories written down for the financial year are disclosed in Note 16.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill, and the carrying amount of the goodwill are disclosed in Note 14 to the financial statements. The carrying amounts of property, plant and equipment is disclosed in Note 11 to the financial statements.

Fair value measurement for investment properties

Investment properties are initially recorded at cost and subsequently carried at fair value, determined by an external professional valuer.

In estimating the fair value, the professional valuers have adopted valuation techniques including the Income Capitalisation Method and the Direct Comparison Method, as appropriate for the respective investment properties. In relying on the valuation reports, management has evaluated and is satisfied that the professional valuers have appropriate recognised professional qualifications, are competent, used appropriate valuation methodologies and have applied estimates which are reflective of current market conditions at the end of the reporting period.

The valuation techniques and significant unobservable inputs used to determine the fair value of the investment properties are further explained in Note 12.

A decrease in the fair value for the investment properties amounting to \$nil (2021: \$2,000,000) has been recognised in profit or loss during the financial year.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

Fair value measurement for investment properties (cont'd)

The carrying amount of the investment properties at the end of the reporting period date is disclosed in Note 12.

Impairment of investments in subsidiaries

The Company reviews the investments in subsidiaries at the end of the financial year to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the investment is estimated to determine the impairment loss or reversal of impairment. Where value in use calculations are undertaken, management is required to estimate the expected future cash flows from the investment or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of the Company's investments in subsidiaries at the end of the reporting period is disclosed in Note 13.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

4. Revenue

	2022	2021
	\$'000	\$'000
Sales of marine equipment and accessories	29,844	26,312
Sales of scientific and precision equipment	2,392	1,489
Sale of recycling of waste oil	2,831	1,976
Rendering of marine equipment related services	88	304
Rendering calibration services	685	860
Rendering of rental related services	1,257	789
Rental income	2,291	2,347
	39,388	34,077

Disaggregation of revenue

The following table provides a disaggregation disclosure of the Group's revenue by primary geographical markets and timing of revenue recognition:

	2022	2021
	\$'000	\$'000
Malaysia	27,860	22,134
Singapore	9,741	6,582
Others	1,787	5,361
	39,388	34,077

Timing of transfer of goods and services

At a point in time	37,097	31,730
Overtime	2,291	2,347
	39,388	34,077

Revenue recognised during the financial year from:

	2022	2021
	\$'000	\$'000
Amounts included in contract liabilities at beginning of the financial year	904	292

The Group applies the practical expedient in SFRS(I) 15 and does not disclose information about its remaining performance obligation if:

- The performance obligation is part of a contract that has an original expected duration of one year or less; or
- The Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

5. Other gain and losses - Others

	2022	Group	2021
	\$'000		\$'000
Other income			
Fair value gain on derivative financial instruments	-		14
Fair value loss on investment properties (Note 12)	-		(2,000)
Foreign exchange gain, net	687		802
Gain on disposal of financial assets at fair value through profit or loss ("FVTPL")	-		1,037
Gain on disposal of property, plant and equipment	301		252
Government grants	117		563
Rent concession	3		78
Sublease income	102		175
Others	519		101
	1,729		1,022

The above gain on disposal of financial assets at FVTPL pertained to investment in equity securities of an electronics contract manufacturer in Singapore. The value of the investment was fully written down during the financial year 2019. In the prior financial year, the Company has subscribed to an exit offer from the investee at \$0.016 per share, amounting to proceeds of \$1,037,000 resulting in a gain on disposal of the equity securities.

Job Support Scheme government grant amount of \$42,000 (2021: 366,000) was recognised during the financial year under the Jobs Support Scheme (the "JSS"). Under the JSS, the Singapore Government will co-fund gross monthly wages paid to each local employee through cash subsidies with the objectives of helping employers retain local employees during the period of economic uncertainty. In determining the recognition of the JSS grant income, management has evaluated and concluded that the period of economic uncertainty commenced in April 2020 when the COVID-19 pandemic started affecting the Company's operation.

Government grant income of \$Nil (2021: \$74,000) relates to rental relief received from the Singapore Government to help businesses deal with the impact from COVID-19 pandemic.

Grant income relating to property tax rebate of \$76,000 (2021: \$76,000) was received during the financial year. This amount has been deducted against property tax expense for the current financial year.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

6. Finance costs

	2022	Group	2021
	\$'000		\$'000
Interest expenses:			
- Bank overdraft	38		52
- Lease liabilities	46		326
- Bank loans	674		875
- Trade financings	418		473
- Loan from shareholder	-		45
- Unwind of discount for provision for restoration cost	-		8
- Derivative instruments	-		14
	1,176		1,793

7. Profit/(Loss) before tax

In addition to the transactions disclosed elsewhere in the notes to the financial statements, the profit/(loss) before tax is arrived at after charging/(crediting) the following:

	2022	Group	2021
	\$'000		\$'000
Auditor's remuneration paid/payable to:			
- Auditor of the Company	239		147
- Other auditors of the Group	44		57
Bad debts written off – trade receivables	-		559
Depreciation of property, plant and equipment	1,594		2,307
Director's fees	22		173
Deposit written off	-		60
Inventories written down (Note 16)	-		271
Impairment loss on trade receivables (Note 17)	-		13
Impairment loss on other receivables (Note 17)	-		57
Professional fees	1,845		1,811
Property tax	339		256
Rental expenses (Note 33)	495		96
Rental rebate	-		(173)
Staff costs (Note 8)	5,776		4,365

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

8. Staff costs

	2022	2021
	\$'000	\$'000
	Group	
<i>Key management personnel*:</i>		
Wages, salaries and other related costs excluding directors' fees	426	320
Employer's contribution to defined contribution plans including Central Provident Fund	14	29
	440	349
<i>Other staff:</i>		
Wages, salaries and other related costs	4,871	3,631
Employer's contribution to defined contribution plans including Central Provident Fund	465	385
	5,776	4,365
 * Comprise amounts paid/payable to:		
- Directors of the Company	211	276
- Other key management personnel	229	73
	440	349

9. Tax (expense)/credit

	2022	2021
	\$'000	\$'000
	Group	
Tax (expense)/credit comprised the following:		
- Current income Tax	392	157
- Deferred Tax	(40)	(289)
	352	(132)
Over/(under) provision in respect of prior years		
- Current income Tax	-	(46)
- Deferred Tax	-	28
	352	(150)

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

9. Tax (expense)/credit (cont'd)

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the Singapore statutory rate of income tax due to the following factors:

	2022	2021
	\$'000	\$'000
Profit/(Loss) before tax from continuing operations	2,814	(1,419)
Tax calculated at a tax rate of 17% (2021: 17%)	(478)	241
Effect of different tax rates in other countries	-	(11)
Expenses not deductible for tax purposes	(137)	(492)
Tax effect of non-taxable income	223	356
Over provision of current income tax in respect of prior years	-	46
Utilisation of deferred tax assets previously not recognised	40	156
Deferred tax assets not recognised	-	(121)
(Under)/over provisions of deferred tax in respect of prior years	-	(28)
Others	-	3
	(352)	150

The potential deferred tax assets on the following deductible temporary differences have not been recognised in the financial statements at the end of the reporting period due to uncertainty of its recoverability:

	2022	2021
	\$'000	\$'000
Unabsorbed tax losses	21,469	21,704
Unabsorbed capital allowances	3,107	3,107
Accelerated tax depreciation	135	135
Others	605	605
	25,316	25,551

As at 31 March 2022, the Group has unutilised tax losses and unabsorbed capital allowances of \$21,469,000 and \$3,107,000 (2021: \$21,704,000 and \$3,107,000) respectively that are available for set-off against future taxable profits. The use of these tax losses and capital allowances is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislations of the respective countries in which the Group operates.

The unutilised tax losses and unabsorbed capital allowances do not have any expiry date except for the unutilised tax losses arising from the subsidiaries in the jurisdiction of Republic of Indonesia and Malaysia amounting to \$20,000 and \$113,000 (2021: \$20,000 and \$113,000) respectively which can only be utilised for the set-off against its future taxable profits within five and seven years from the date the tax losses were incurred.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

10. Earnings/(Loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2022	2021
	\$'000	\$'000
Profit/(Loss) for the year attributable to equity holders of the Company	2,481	(1,250)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	90,287	97,687
Basic and diluted earnings/(loss) per share (cents)	2.75	(1.28)

There was no difference between the basic and diluted earnings/(loss) per share as the effect of all potentially dilutive shares outstanding was anti-dilutive for the financial years ended 31 March 2022 and 31 March 2021.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

11. Property, plant and equipment

	Freehold lands and buildings \$'000	Leasehold land and properties \$'000	Leasehold improvement \$'000	Plant and Machinery \$'000	Office equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Computers \$'000	Construction in progress	Total \$'000
Group										
2022										
Cost										
At 1 April 2021	5,754	27,091	574	5,320	667	817	1,718	590	-	42,531
Additions	833	-	4	59	143	3	43	40	13	1,138
Disposal	-	(1,152)	-	(7)	(31)	(2)	(98)	-	-	(1,290)
Translation differences	(56)	(262)	-	(51)	-	-	-	-	-	(369)
At 31 March 2022	6,531	25,677	578	5,321	779	818	1,663	630	13	42,010
Accumulated depreciation and										
At 1 April 2021	648	7,822	554	4,775	663	803	1,553	569	-	17,387
Depreciation charge for the financial year	79	912	7	283	86	7	199	21	-	1,594
Disposal	-	(252)	-	-	(2)	(2)	(92)	-	-	(348)
Translation differences	-	-	3	-	2	3	(1)	-	-	7
At 31 March 2022	727	8,482	564	5,058	749	811	1,659	590	-	18,640
Net carrying value										
At 31 March 2022	5,804	17,195	14	263	30	7	4	40	13	23,370

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

11. Property, plant and equipment (cont'd)

	Freehold lands and buildings \$'000	Leasehold land and properties \$'000	Leasehold improvement \$'000	Plant and Machinery \$'000	Office equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Computers \$'000	Construction in progress	Total \$'000
Group										
2021										
Cost										
At 1 April 2020	5,836	13,199	522	1,219	549	822	1,886	579	2,588	27,200
Additions	-	363	2	-	73	2	85	16	109	650
Disposal	-	(51)	(9)	(7)	(2)	-	(338)	-	(2,697)	(3,104)
Transfer from asset for sale	-	13,588	61	4,111	30	-	85	-	-	17,875
Translation differences	(82)	(8)	(2)	(3)	17	(7)	-	(5)	-	(90)
At 31 March 2021	5,754	27,091	574	5,320	667	817	1,718	590	-	42,531
Accumulated depreciation										
At 1 April 2020	605	2,670	491	823	538	788	1,719	556	-	8,190
Depreciation charge for the financial year	52	1,681	26	296	88	21	126	17	-	2,307
Transfer from asset for sale	-	3,518	40	3,659	30	-	46	-	-	7,293
Disposal	-	(25)	(2)	(2)	(2)	-	(338)	-	-	(369)
Translation differences	(9)	(22)	(1)	(1)	9	(6)	-	(4)	-	(34)
At 31 March 2021	648	7,822	554	4,775	663	803	1,553	569	-	17,387
Net carrying value										
At 31 March 2021	5,106	19,269	20	545	4	14	165	21	-	25,144

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

11. Property, plant and equipment (cont'd)

	Office equipment \$'000	Motor Vehicles \$'000	Computers \$'000	Leasehold Building \$'000	Total \$'000
Company					
2022					
Cost					
At 1 April 2021	119	55	25	363	562
Additions	-	-	2	-	2
Disposal	-	(55)	-	-	(55)
At 31 March 2022	119	-	27	363	509
Accumulated depreciation					
At 1 April 2021	74	8	21	83	186
Depreciation charge for the financial year	22	-	5	83	110
Disposal	-	(8)	-	-	(8)
At 31 March 2022	96	-	26	166	288
Net carrying value					
At 31 March 2022	23	-	1	197	221
	Office equipment \$'000	Motor Vehicles \$'000	Computers \$'000	Leasehold Building \$'000	Total \$'000
Company					
2021					
Cost					
At 1 April 2020	119	-	19	-	138
Additions	-	55	6	363	424
Disposal	-	-	-	-	-
At 31 March 2021	119	55	25	363	562
Accumulated depreciation and impairment losses					
At 1 April 2020	52	-	19	-	71
Depreciation charge for the financial year	22	8	2	83	115
Disposal	-	-	-	-	-
At 31 March 2021	74	8	21	83	186
Net carrying value					
At 31 March 2021	45	47	4	280	376

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

11. Property, plant and equipment (cont'd)

- a) Purchase of property, plant and equipment in the consolidated cash flows:

	2022	Group	2021
	\$'000		\$'000
Aggregate cost of property, plant and equipment acquired			
- Continuing operations	1,138		650
Less: Additions to right-of-use assets	-		(382)
Net cash outflow for purchase of property, plant and equipment	1,138		268

- b) Bank loans are secured on properties of the Group with a net carrying value of \$6,757,000 (2021: \$6,108,000) (Note 23).
- c) As at 31 March 2022, the net carrying value of the Group's right-of-use assets under property, plant and equipment was \$10,849,000 (2021: \$11,870,000).

12. Investment properties

	2022	Group	2021
	\$'000		\$'000
At fair value			
Balance at beginning of financial year	26,000		28,000
Net fair value loss recognised in profit or loss (Note 5)	-		(2,000)
Balance at end of financial year	26,000		26,000

These investment properties are mortgaged to secured bank loans (Note 23).

The following amounts are recognised in profit or loss:-

	2022	Group	2021
	\$'000		\$'000
Rental and other related income from investment properties	2,477		3,116
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income.	418		748

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

12. Investment properties (cont'd)

The investment properties held by the Group are as follows:

Description and location	Existing use	Floor area (sqm)	Tenure	Significant unobservable input ⁽¹⁾
182, 184, 186 Woodlands Industrial Park E5, Singapore 757515	Workshops, offices and workers' dormitory	8,560.3	30 years lease commencing 25 April 2007	Price per square foot ⁽¹⁾
2 Tuas South Street, 15 Singapore 637079	Single-user general industrial factory, boiler house, sheds, compressor room, weigh bridge storage of flammable materials, ancillary office and temporary workers' dormitory	4,654.6	Leasehold 17 years 10 months commencing 16 February 2013	Price per square foot ⁽¹⁾

⁽¹⁾ Any significant increase (decrease) in the significant unobservable input would result in a significantly higher (lower) fair value measurement.

The fair value of the investment properties located at Woodlands Industrial Park at the end of the reporting period is determined based on the valuation performed by a professional valuer on the properties on 31 March 2022 using the Income Capitalisation Method on an as-is basis subject to existing tenancies, with reference to market rental evidence, occupancy levels, remaining lease tenure and capitalisation rates. The valuation was supported by a direct comparison with recent transactions of comparable properties within the vicinity at the end of the reporting period. The valuer has taken into consideration the prevailing market conditions and has made due adjustments for differences between the property and the comparables in terms of location, size, layout and other factors affecting its value. The current property market is uncertain and the value of the property may be affected by the impact and timing of recovery of the property market impacted by the COVID-19 pandemic. This fair value measurement is categorised within Level 3 of the fair value hierarchy.

The fair value of the investment property located at Tuas South Street at the end of the reporting period is determined based on the valuation performed by a professional valuer on a market value basis with vacant possession and free from all encumbrances on 30 April 2022, using a direct comparison with transactions of similar properties in the subject or comparable localities. The valuer has taken into consideration the prevailing market conditions and has made due adjustments for differences between the property and the comparables in terms of location, size, tenure, age, condition, standard of finishes, use, facilities provided, date of transaction and other relevant factors affecting its value. This fair value measurement is categorised within Level 3 of the fair value hierarchy.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

13. Investments in subsidiaries

	<u>Company</u>	
	2022	2021
	\$'000	\$'000
Unquoted equity shares, at cost	1,458	1,458
Less: Allowance for impairment	(261)	(261)
Net carrying amounts	<u>1,197</u>	<u>1,197</u>

Movements in the allowance for impairment are as follows:

Balance at the beginning of the financial year and end of the financial year	<u>261</u>	<u>261</u>
--	------------	------------

(a) Details of the subsidiaries as at the end of the financial year are as follows:

Name of subsidiary	Principal activities	Country of incorporation and operations	Effective equity interest held by Group	
			2022 %	2021 %
<u>Held by the Company</u>				
USP Properties Pte Ltd ⁽¹⁾	Investment holding and real estate developer.	Singapore	100	100
Supratechnic SII Pte Ltd (f.k.a. USP Industrial Pte Ltd) ⁽¹⁾	Investment holding, research and development, engineering, manufacturing, and consultancy for biofuel industry.	Singapore	100	100
Biofuel Research Pte Ltd ⁽⁴⁾	Research and development, engineering, manufacturing and consultancy for biofuel industry.	Singapore	7	7
Theme A investment Holdings Pte Ltd ^(5c)	Investment holding	Singapore	100	100
<u>Held by Supratechnic SII Pte Ltd.:</u>				
Biofuel Research Pte Ltd ⁽⁴⁾	Research and development, engineering, manufacturing and consultancy for biofuel industry	Singapore	86	86
BOS Marine Pte Ltd ^(5c)	Wholesale of marine equipment and accessories	Singapore	100	100
Supratechnic Capital Pte Ltd (f.k.a USPI Investment Pte Ltd) ⁽¹⁾	Investment Holding	Singapore	100	100
Scientific & Industrial Instrumentation Pte Ltd ⁽¹⁾	Trading in scientific and industrial instruments	Singapore	100	100

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

13. Investments in subsidiaries (cont'd)

(a) Details of the subsidiaries as at the end of the financial year are as follows (cont'd):

Held by Scientific Industrial & Instrumentation Pte Ltd.:

SII Scientific (S) Pte Ltd (5c)	Wholesale of medical, professional, scientific and precision equipment	Singapore	100	100
------------------------------------	--	-----------	-----	-----

Held by BOS Marine Pte Ltd (5c)

BOS Marine (M) Sdn Bhd (2)	Wholesale of marine equipment and accessories	Malaysia	100	100
-------------------------------	---	----------	-----	-----

Held by Supratechnic Capital Pte Ltd

Supratechnic Pte Ltd (1)	Wholesale of industrial machinery and equipment, marine equipment and accessories	Singapore	100	100
--------------------------	---	-----------	-----	-----

Held by Supratechnic Pte Ltd

Supratechnic (M) Sdn Bhd (2)	Trading in outboard motors and general merchandise	Malaysia	100	100
------------------------------	--	----------	-----	-----

PT Supratechnic Instrumentasi (3)	Trading in outboard motors and general merchandise	Indonesia	100	100
-----------------------------------	--	-----------	-----	-----

Held by Supratechnic (M) Sdn Bhd

Supratechnic Properties Sdn Bhd (f.k.a Semangat Hitech Sdn Bhd) (2)	Letting out properties and general traders	Malaysia	100	100
---	--	----------	-----	-----

Held by USP Properties Pte Ltd

USPP Woodlands Pte Ltd (1)	Investment holding	Singapore	100	100
-------------------------------	--------------------	-----------	-----	-----

Theme A Properties Pte Ltd (5b)	Commercial and industrial real estate management	Singapore	100	100
---------------------------------	--	-----------	-----	-----

Threeone Recruitant Pte Ltd (5b)	Recruitment and deployment of workers and mgmt staff	Singapore	65	-
----------------------------------	--	-----------	----	---

Held by USPP Woodlands Pte Ltd

Koon Cheng Development Pte Ltd (1)	Letting and operating self-owned properties	Singapore	100	100
------------------------------------	---	-----------	-----	-----

Held by Theme A Investment Holdings Pte Ltd (4d)

Darts Engineering Pte Ltd (5a)	Process industrial plant engineering design and consultancy services; building and repair of ships, tankers and other ocean vessels; installation of industrial machinery and equipment, mechanical engineering works and scaffolding works	Singapore	65	-
-----------------------------------	---	-----------	----	---

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

13. Investments in subsidiaries (cont'd)

(a) Details of the subsidiaries as at the end of the financial year are as follows (cont'd):

- (1) Audited by PKF-CAP LLP, Singapore
- (2) Audited by KS Chia & Associates., Malaysia
- (3) Audited by PKF Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Rekan, Indonesia
- (4) Liquidated on 10 January 2025
- (5) Unaudited, in liquidation
 - (a) 25 April 2025
 - (b) 13 October 2025
 - (c) 16 December 2025

(b) At the end of the reporting period, there are no subsidiaries with non-controlling interests that are material to the Group. Accordingly, the summarised financial information of the subsidiaries is not disclosed.

14. Intangible assets

	Customer relationships \$'000	Goodwill \$'000	Club membership \$'000	Total \$'000
Group				
Cost				
At 1 April 2020	1,866	22	1	1,889
Write off	-	-	(1)	(1)
Transfer from disposal group asset held for sale	-	459	-	459
At 31 March 2021 and 31 March 2022	1,866	481	-	2,347
Accumulated amortisation and impairment				
At 1 April 2020	723	22	-	745
Amortisation charged for the financial year	170	-	-	170
Impairment charged for the financial year	973	-	-	973
At 31 March 2021 and 31 March 2022	1,866	22	-	1,888
Net carrying amount				
At 31 March 2021 and 31 March 2022	-	459	-	459

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

14. Intangible asset (cont'd)

During the previous financial year ended 31 March 2020, full impairment was recognised by management on the carrying amount of the acquired customer relationships of \$973,000 as Supratechnic group switched the principal of a featured product to which the acquired customer relationships were related. Therefore, management did not expect future economic benefits to be derived from the acquired customer relationship of Supratechnic group as at the end of the financial year 31 March 2020.

Impairment test for goodwill

Goodwill acquired through business combination has been allocated to a cash-generating unit ("CGU"), which is also the reportable operating segment, for impairment testing.

The carrying amount of goodwill allocated to the CGU is as follows:-

	2022 \$'000	2021 \$'000
Recycling of waste oil business	459	459

Key assumptions used in value-in-use calculation

In prior financial year, the recoverable amount of the CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rate, revenue growth rates and gross margins during the period. Management estimates discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. The revenue growth rates and gross margins are estimated based on past performance and expected trends and developments in the market including consideration of the current business condition.

The Group's value-in-use calculation was computed based on the cash flow forecasts derived from the most recent financial budgets approved by management covering a five years period. Cash flows beyond the five-year period was extrapolated using an estimated terminal value growth rate of 2%.

Revenue is estimated to grow at 44% in financial year 2022 and 10% in financial years 2023 to 2024. The pre-tax rate used to discount the forecast cash flows from the Group's recycling of waste oil is 10%. Gross margins are estimated based on past performances and management's expectations of market development.

Sensitivity to changes in assumptions

These key inputs and assumptions were estimated by management based on prevailing market, economic and other conditions at the end of the reporting period, and based on management's estimations of the expected orders and recovery in business conditions amidst the current COVID-19 pandemic.

The estimated recoverable amount exceeds its carrying amount by approximately \$545,000 as at 31 March 2021. A decrease in the gross profit margin by 2% or a decrease in the revenue by 5%, the Group would have to fully impair on goodwill.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

15. Deferred tax

	2022	2021
	\$'000	\$'000
At beginning of the financial year	1,113	936
Charge to profit or loss (Note 9)	(40)	(261)
Transfer from liabilities held for sale	-	432
Translation difference	(145)	6
At end of the financial year	<u>928</u>	<u>1,113</u>
Representing:		
Deferred tax liabilities	1,344	1,481
Deferred tax assets	<u>(416)</u>	<u>(368)</u>
	<u>928</u>	<u>1,113</u>

Major deferred tax assets and liabilities recognised by the Group are as follows:

	Accelerated tax depreciation \$'000	Fair value uplift on assets from acquisition of subsidiaries \$'000	Provision \$'000	Others \$'000	Total \$'000
At 1 April 2020	(295)	1,224	(165)	172	936
(Credit)/charged to profit or loss for the financial year	(197)	289	-	(353)	(261)
Transfer from liabilities held for Sale	224	75	133	-	432
Currency translation differences	-	-	-	6	6
At 31 March 2021	(268)	1,588	(32)	(175)	1,113
(Credit)/charged to profit or loss for the financial year	-	-	-	(40)	(40)
Transfer from liabilities held for Sale	-	-	-	-	-
Currency translation differences	-	-	-	(145)	(145)
At 31 March 2022	<u>(268)</u>	<u>1,588</u>	<u>(32)</u>	<u>(360)</u>	<u>928</u>

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

16. Inventories

	<u>Group</u>	
	2022 \$'000	2021 \$'000
Finished goods	9,749	8,995
Goods in transit	1,937	782
	11,686	9,777

The following amounts are recognised in profit or loss:

Inventories recognised as an expense in cost of sales	24,334	20,906
Inclusive of the following:		
- Inventories written down (Note 7)	-	271

17. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<i>Current</i>				
Trade receivables - third parties	4,277	3,888	-	1,395
Less: Allowance for impairment [Note 28(b)]	(1,544)	(1,371)	-	(140)
	2,733	2,517	-	1,255
<i>Other receivables:</i>				
- Third parties	1,283	1,258	-	-
- Subsidiaries	-	-	39,738	37,578
- Allowance for impairment	(888)	(555)	(29,842)	(29,682)
	395	703	9,896	7,896
Deposits	879	467	295	200
Prepayments	416	377	300	4
Other recoverable*	-	259	-	259
Advance payment to supplier	547	840	-	-
Tax recoverable	12	64	-	-
	1,854	2,007	595	463
Total	4,982	5,227	10,491	9,614

*Other recoverable of \$259,000 relates to the 7.4 million performance shares purportedly issued to a former Chief Executive Officer ("CEO") during the financial year ended 31 March 2020. The Company was of the view that the 7.4 million shares were subject to forfeiture upon the former CEO's resignation and had commenced legal proceedings to forfeit the shares. A substantial shareholder had also obtained an injunction against the former CEO from exercising his rights over these shares.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

17. Trade and other receivables (cont'd)

Following the judgement entered by the Court, the Company rescinded the issuance of the 7.4 million performance shares during the financial year ended 31 March 2022. Accordingly, the related other receivable previously recognised in respect of the purported share issuance was removed in FY2022, together with the corresponding reversal of share capital. The rescission did not result in any impact to profit or loss during the current financial year as the adjustment was recorded directly against equity and the related receivable balance.

Movement in allowance for impairment loss is as follows:-

	<u>Group</u>		<u>Company</u>	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Trade receivables				
At 1 April	1,371	1,304	140	-
Impairment loss recognised in Profit or loss (Note 7)	-	13	-	140
Impairment loss written off	-	-	(140)	-
Currency translation difference	173	54	-	-
	1,544	1,371	-	140
Other receivables				
At 1 April	555	498	29,682	25,619
Impairment loss recognised in Profit or loss (Note 7)	-	57	-	4,983
Write back	-	-	-	(70)
Currency translation difference	333	-	160	(850)
	888	555	29,842	29,682

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

18. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	3,716	2,120	882	250
Fixed deposits	2,718	2,850	–	100
	6,434	4,970	882	350

At the end of the reporting period, restricted cash represented fixed deposits pledged to secure certain bank facilities amounted to approximately \$2,718,000 (2021: \$2,750,000)

Cash and cash equivalents in the consolidated statement of cash flows is arrived at as follows: -

	<u>Group</u>	
	2022	2021
	\$'000	\$'000
Cash at bank and in hand and short-term term deposits	6,434	4,970
Less: Bank overdrafts (Note 23)	(245)	(875)
Less: Restricted cash-pledged bank deposits (Note 23)	(2,718)	(2,750)
	3,471	1,345

19. Share capital

	<u>Group and Company</u>			
	2022		2021	
	Number of	Issued	Number of	Issued
	shares	share capital	shares	share capital
	\$'000	\$'000	\$'000	\$'000
At 1 April	98,322	51,172	98,322	51,172
Cancellation of ordinary shares	(7,400)	(259)	–	–
At 31 March	90,922	50,913	98,322	51,172

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

Performance share plan

The Company operates a Performance Share Plan (“PSP”), which was approved by the shareholders on 27 February 2015. The PSP was established to enhance the Company’s ability to attract, motivate and retain employees, executive directors and non-executive directors. The plan aims to align the interests of participants with those of shareholders by promoting a stronger ownership culture and rewarding sustained performance and long-term value creation.

On 27 September 2019, the Group granted 7,400,000 shares under the PSP to the former Chief Executive Officer of the Group. During the current financial year 2022, the Company has rescinded 7,400,000 share issuances under “PSP” to Dr. Lim Boh Soon after the Court judgement made on 18 January 2022 (Note 17).

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

20. Treasury shares

	Group and Company			
	2022		2021	
	Number of		Number of	
	shares	\$'000	shares	\$'000
Balance at beginning and end of financial year	634,600	99	634,600	99

Treasury shares relate to ordinary shares of the Company that is held by the Company.

During the financial year ended 31 March 2018, the Company acquired 634,600 shares in the Company through purchases in the Singapore Stock Exchange. Consideration paid to purchase shares amounted to \$99,378 which was presented as a component within the equity in the financial statements.

21. Other reserves

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Foreign currency translation reserve	(1,198)	(243)	-	-
Gain or loss on reissuance of treasury shares	(504)	(504)	(504)	(504)
Capital reserve	2,941	2,941	-	-
Other	2,507	2,507	149	149
	3,746	4,701	(355)	(355)

a) Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies differ from the Group's presentation currency. The reserve reflects cumulative foreign exchange gains and losses recognised in other comprehensive income and is reclassified to profit or loss upon disposal of the relevant foreign operation.

b) Gain or loss on reissuance of treasury shares

The gain or loss on reissuance of treasury shares represents the cumulative difference arising from the purchase, sale, reissuance, transfer or cancellation of treasury shares. In accordance with the relevant statutory and regulatory requirements, the reserve is not available for dividend distribution and may not be distributed, whether in cash or otherwise, to shareholders of the Company.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

21. Other reserves (cont'd)

c) Capital reserve pertains to the following:

- Revaluation surplus arising from the freehold land and building in May 2011, being transferred to capital reserve for the purpose of issuing bonus share;
- The premium received from non-controlling interest for acquisition of parts of non-controlling interest in subsidiaries, Supratechnic (M) Sdn. Bhd and Scientific & Industrial Instrumentation Pte Ltd on 1 March 2019 amounting to \$2,884,000.

d) Others – equity consideration

The other reserve represents equity consideration paid or payable to the vendors in connection with the acquisition of Supratechnic Pte. Ltd. during the financial year ended 31 March 2016. The reserve reflects the equity component of the acquisition consideration recognised in accordance with the terms of the acquisition agreement.

Movements in the above other reserves are disclosed in the statements of changes in equity.

22. Other payables, non-current

	2022	Group	2021
	\$'000		\$'000
Security Deposit		678	274

The non-current portion of security deposit is unsecured and carried at amortised cost with an imputed interest rate of 5%. The carrying amount of the non-current portion of security deposit approximates its fair value at the end of the reporting period.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

23. Borrowings

	<u>Group</u>		<u>Company</u>	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<i>Non-current</i>				
<u>Bank loans</u>				
Bank loan I	-	23	-	-
Bank loan III	1,231	1,367	-	-
Bank loan VI	-	17,388	-	-
Bank loan IX	-	368	-	-
	1,231	19,146	-	-
<i>Current</i>				
<u>Bank loans</u>				
Bank loan I	-	153	-	-
Bank loan II	926	900	-	-
Bank loan III	162	169	-	-
Bank loan IV	4,349	4,349	-	-
Bank loan V	251	51	-	-
Bank loan VI	17,619	1,548	-	-
Bank loan VIII	-	57	-	-
Bank loan IX	-	226	-	-
	23,307	7,453	-	-
Bank overdrafts	245	875	-	-
Loan from shareholder	1,000	-	1,000	-
Trade financings	7,733	8,352	-	-
	8,978	9,227	1,000	-
	33,516	35,826	1,000	-

a) Secured liabilities

Bank loans

Loan I is secured by mortgage over certain leasehold property (Note 11) of Scientific & Industrial Instrumentation Pte Ltd., personal guarantee by a former director of the Company and corporate guarantee by the Company. The 5-year term loan is repayable over 60 monthly instalments (comprising principal and interest) with final payment in 2022. The loan bears floating interest rate ranging from 3.72% to 6.25% (2021: 3.72% to 6.23%) per annum calculated on a monthly rest basis. The loan is denominated in Singapore Dollar.

Loan II is secured by mortgage over certain leasehold property (Note 11) of Scientific & Industrial Instrumentation Pte Ltd., personal guarantee by a former director of the Company and corporate guarantee by the Company. Bank loan II bears floating interest rate ranging from 1.91% to 3.22% (2021: 1.91% to 3.22%) per annum rolled over on quarterly basis. The loan is denominated in Singapore Dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

23. Borrowings (cont'd)

a) Secured liabilities (cont'd)

Bank loans (cont'd)

Loan III is secured by Supratechnic (M) Sdn Bhd on certain properties of the subsidiaries and a third party., fixed deposits of the subsidiary (Note 18) and corporate guarantee by Supratechnic Pte Ltd. Bank loan III bears floating interest rate ranging from 1.00% to 1.25% (2021: 1.00% to 1.25%) per annum above the bank's prevailing base lending rate and is repayable by monthly instalments over 15 years commenced in 2014. The loan bear interest rate from 4.59% to 4.70% (2021: 4.75% to 4.95%) per annum. The loan is denominated in Malaysia Ringgit.

Loan IV is secured by USPI Investment Pte Ltd on mortgage over certain leasehold property (Note 11), personal guarantee by a former director of the Company and corporate guarantee by the Company, first fixed charge over 100% shares in the share capital of Supratechnic Pte Ltd and USPI Investment Pte Ltd, and a fixed and floating charge over Supratechnic Pte Ltd's present and future undertakings, property assets, revenues and rights . The 5-year term loan is repayable over 60 monthly instalments (comprising principal and interest) from May 2016 and amortised over 16 years loan profile with final bullet payment at the end of loan maturity date. The loan bears floating interest rate at 2.00% per annum over the applicable 3-month SWAP Offer Rate ("SOR") or 2.00% per annum over prevailing rates 3-months Cost of Funds ("COF"), whichever is higher, or at such other rates as the bank may stipulate from time to time at its discretion. The effective interest rates range from 2.40% to 3.02% (2021: 2.40% to 3.02%) per annum. The loan is denominated in Singapore Dollar. This loan is classified as current as the loan repayment is due but the Group did not make any repayments during the financial year.

Loan VI is secured by USPP Woodlands Pte Ltd on mortgage over certain investment property (Note 12), legal assignment of rental proceeds or charge over rental account to be executed of all current and future rental income from the investment property, personal guarantee by a former director of the Company and corporate guarantee by the Company, first fixed charge over 100% shares in the share capital of USPP Woodlands Pte Ltd and Koon Cheng Development Pte Ltd, and a fixed and floating charge over Koon Cheng Development Pte Ltd's present and future undertakings, property assets, revenues and rights and a charge over debt servicing reserve account maintained with the bank with balance of not less than \$250,000.00. The 16-year term loan is repayable over 192 monthly instalments (comprising principal and interest) with final repayment in 2032. The loan bears floating interest rate at 2.00% per annum over the applicable 3-month SWAP Offer Rate ("SOR") or 2.00% per annum over prevailing rates 3-months Cost of Funds ("COF"), whichever is higher, or at such other rates as the bank may stipulate from time to time at its discretion. The effective interest rates range from 1.99% (2021: 2.42%) per annum. The loan is denominated in Singapore Dollar. The Group had exchanged the variable swap offer rate with fixed interest rate by entering into interest rate swap agreement with a bank whereby it receives interest rate swap offer rate and pays interest at a fixed rate at 1.99% per annum. The contract was terminated on 19 May 2020. The information of interest swap was disclosed in Note 28.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

23. Borrowings (cont'd)

a) Secured liabilities (cont'd)

Bank loans (cont'd)

Loan VIII is secured by mortgage over certain leasehold property (Note 11), personal guarantee by a former director of the Company and corporate guarantee by the Company. The loan bears interest rate of 1.50% per annum over the prevailing 3-month Singapore Inter Bank Offer Rate ("SIBOR") or Cost of Funds ("COF") whichever is higher in the first 3 years, thereafter the interest shall be at the bank's commercial financing rate of 5.75% per annum. The effective interest rate was 6.25% (2021: 6.25%) per annum. The loan is repayable by monthly instalments over 5-years commenced in 2017. The loan is denominated in Singapore Dollar.

Bank overdrafts

Bank overdrafts bear interest rates ranging from 6.35% to 7.92% (2021: 6.35% to 6.50%) per annum and are secured by the subsidiary's leasehold properties and joint and several personal guarantees of the former directors of the Company and subsidiaries.

Trade Financings

Trade Financings comprise bridging loan, trust receipts and short-term loan. Trade financings bear interest rates ranging from 2.00% to 7.15% (2021: 2.00% to 4.59%) per annum.

Trade financings are secured by certain subsidiaries' leasehold properties, joint and several personal guarantees of the former directors of the Company and subsidiaries, negative pledge and the legal mortgage of the subsidiaries freehold and leasehold properties, corporate guarantees provided by the Company, pledge of subsidiaries deposit and deed of assignment of rental proceeds from a subsidiary.

b) Fair Values

The carrying amounts of current borrowings approximate their fair values at the end of the reporting period.

Based on the discounted cash flow analysis using a discount rate based upon market lending rate for similar borrowings which management expects would be available to the Group at the end of the reporting period, the fair values of the fixed borrowings at the end of the reporting period approximate their carrying values as there are no significant changes in the marketing lending interest rates available to the Group at the end of the reporting period. The floating rates borrowings are instruments that are repriced to market interest rates on or near the end of the reporting period. Accordingly, the fair values of these borrowings, determined from the discounted cash flow analysis using market lending rates for similar borrowings which the management would be available to the Group at the end of reporting period, would approximate their carrying amounts at the end of the reporting period. This fair value measurement for disclosure purposes is categorised in Level 3 of the fair value hierarchy.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

23. Borrowings (cont'd)

c) Breach of covenant and default

On 30 March 2021, the Group's subsidiaries obtained letters from the bank to accommodate the breach of loan covenants on a one-off basis as the Company, which is the corporate guarantor, did not fulfil the requirement to maintain a minimum consolidated tangible net worth of \$25 million and a subsidiary did not fulfil the requirement to maintain a minimum debt service coverage ratio of 1.5. In addition to the waiver granted, on 31 March 2021, the bank also revised the loan covenant for the Company to maintain a minimum consolidated tangible net worth of \$20 million at all times.

Interest payable of \$492,000 on the Group's borrowings was due but remained unpaid as at 31 March 2021. The carrying amount of total borrowings in default as at 31 March 2021 was \$12,701,000. Accordingly, these borrowings were classified as current liabilities on the statement of financial position as at 31 March 2021.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

23. Borrowings (cont'd)

d) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Bank loans \$'000	Lease liabilities \$'000	Trade financings \$'000	Loan from shareholder \$'000	Total \$'000
<u>Group</u>					
2022					
Balance as at 1 April 2021	26,599	5,103	8,352	-	40,054
Changes from financing cash flows:					
- Proceeds	-	-	-	1,000	1,000
- Repayments	(2,061)	(240)	(619)	-	(2,920)
- Interest paid	(712)	(46)	(418)	-	(1,176)
Non-cash changes:					
- Interest expense	712	46	418	-	1,176
- New leases	-	-	-	-	-
Interest payable	-	-	-	-	-
Foreign exchange translation	-	-	-	-	-
Non-cash rent concession	-	(3)	-	-	(3)
Balance at 31 March 2022	24,538	4,860	7,733	1,000	38,131

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

23. Borrowings (cont'd)

a) Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)

	Bank loans \$'000	Lease liabilities \$'000	Trade financings \$'000	Loan from shareholder \$'000	Loan from third party \$'000	Total \$'000
<u>Group</u>						
2021						
Balance as at 1 April 2020	29,150	5,267	10,875	1,500	150	46,942
Changes from financing cash flows:						
- Proceeds	282	-	-	-	-	282
- Repayments	(2,831)	(432)	(2,182)	(1,500)	(150)	(7,095)
- Interest paid	(764)	(326)	(93)	(45)	(8)	(1,236)
Non-cash changes:						
- Interest expense	875	326	473	45	8	1,727
- New leases	-	382	-	-	-	382
Interest payable	(111)	-	(381)	-	-	(492)
Foreign exchange translation	(2)	(36)	(340)	-	-	(378)
Non-cash rent concession	-	(78)	-	-	-	(78)
Balance at 31 March 2021	26,599	5,103	8,352	-	-	40,054

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

24. Provision for restoration cost

	2022	2021
	\$'000	\$'000
Balance at 1 April	191	-
Addition	-	191
Balance at 31 March	191	191

The provision for restoration costs represents the present value of management's best estimate of the future outflow economic benefits that will be required to reinstate the lease property to its original state. The estimate has been made on the basis of quotes obtained from external contractors. The unexpired term of the lease is 8 years and 8 months (2021: 9 years and 8 months).

25. Trade and other payables

	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Trade payables	4,577	1,100	-	-
Deposit received	552	543	-	-
Other payables – Third parties	1,581	997	575	447
Subsidiaries	-	-	3,326	2,037
Accrued operating expenses	1,825	1,700	387	414
Consideration deposit for disposal of a subsidiary	-	1,500	-	1,500
Deferred rent payable	78	41	-	-
	8,613	5,881	4,288	4,398

Trade and other payables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amounts due to subsidiaries are non-trade in nature, unsecured, repayable on demand and interest-free except for a loan from a subsidiary amounting to \$1,604,000 (2021: \$1,454,000) which bore interest of 5% (2021: 5%) per annum.

In prior financial year ended 31 March 2021, consideration deposit of \$1,500,000 was received and the conditions precedent to the sales and purchase agreement of Biofuel Research Pte. Ltd. has not yet been fulfilled. During the financial year ended 31 March 2022, the deal was called off and the consideration deposits have been refunded.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

26. Contract liabilities

The Group receives payments from customers based on a billing schedule, as established in contracts. Contract liabilities relate to advance consideration received from customers for future deliveries of inventories. Contract liabilities are recognised as revenue as and when the Group satisfies the performance obligations under its contracts.

	<u>Group</u>	
	2022	2021
	\$'000	\$'000
Contract liabilities	<u>605</u>	<u>904</u>

27. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

- (i) On 7 April 2020, the Company together with its subsidiaries (collectively referred to as "the Group"), commenced High Court suit no S328/00 (S328) against M/s Sin Hong Hwa Pte Ltd and Mr. Oon Kong Cheng and Li Hua (collectively referred to as "the Defendants"). 328 was brought by the Group pursuant to a Sale and Purchase agreement of Koon Cheng Development Pte Ltd dated 18 December 2015 ("SPA") against the Defendants for misrepresentations, failure to perform conditions precedent of SPA, and unlawful means, conspiracy. The Group sought the following relief against the Defendants: (1) the sum \$13,677,600; (2) alternative damages to be assessed; (3) alternative misrepresentation to be assessed; (4) the costs; (5) the interest and (6) such further or orders by the Court as deems fit.
- (ii) On 9 June 2020, the Group commenced DC suit no DC1363/2020 ("DC1363") against Mr Yin Kum Choy ("Mr Yin") and Mr. Oon Kong Cheng ("Mr Oon") (collectively referred to as "the Defendants"). The action was brought by the Group against Mr Yin for breach of fiduciary duties; (2) against Mr Oon for dishonest assistance; and (3) against the Defendants for unlawful conspiracy. The following reliefs were sought by the Group against the Defendants: (1) an order that Mr Yin has breached his duties to the Group the sum \$13,677,600; (2) an aggregate sum of \$130,227; (3) legal costs incurred by the Group in relation to OS137 and CWU108; (4) alternative damages to be assessed; (5) the costs; (6) the interest and (7) such further or orders by the Court as deems just and fit. DC1363 was transferred to High Court on 16 March 2021 in High Court Suit No S292 of 2021.
- (iii) On 8 July 2020, Mr. Oon Kong Cheng ("Mr Oon") commenced High Court suit no. S612/2020 ("S612") against the Company, Mr Tanoto Sau Ian and Mr Li Hua (collectively referred to as "the Defendants"). The action was brought by Mr Oon against the Defendant for conspiracy with the intention to injure Mr Oon's interests. The following reliefs were sought by Mr Oon are: (1) injunctive relief against the Defendants; (2) damages; (3) the costs; (4) the interest and (5) such further or orders by the Court as deems just and fit.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

27. Contingent liabilities (cont'd)

Details and estimates of maximum amounts of contingent liabilities are as follows (cont'd):

- (iv) On 8 September 2020, the Company commenced High Court suit no. S855/2020 ("DC855") against Mr Yin Kum Choy ("Mr Yin") and M/s TMF Singapore H Pte Ltd ("Mr TMF") (collectively referred to as "the Defendants"). The action was brought by the Company in relation to the Circular issued for the Company's Extraordinary General Meeting on 10 February 2020 ("the Circular"). The following reliefs were sought by the Company against the Defendants: (1) an Order that the Circular was, under the advice of the TMF, in breach of Rule 1206(1) of SGX Mainboard Rules; (2) an Order that Mr Yin has breached his duties to the Company; (3) damages, loss and expenses to be assessed; (4) equitable compensation; (5) the costs; (6) the interest and (7) such further or orders by the Court as deems just and fit. On 6 December 2021, the Company entered into a Settlement agreement with the 2nd Defendant, TMF, and the 3rd Defendant, an employee of TMF who had been added as a defendant in S855 later on.
- (v) On 22 January 2021, the Company commenced High Court suit no S88/2021 ("S88") against Mr Tham Wai Mun Raphael ("Mr Tham"), Mr Wong Peng Wai ("Mr Wong"), Mr Chau Leung Yu ("Mr Chau"), Mr Pua Chieh Sze ("Mr Pua") and Ms Lim Soh Sian ("Ms Lin") (collectively referred to as "the Defendants"). The action was brought by the Company in relation to the acquisition of three (3) Eco Fuel Transaction Plants, against the Defendants for Breach of Fiduciary Duties, Dishonest Assistance, Fraudulent Misrepresentation/Deceit, Breach of Contract, Unlawful Interference with/ Inducing a Breach of Contract and Unlawful Conspiracy. The following reliefs were sought by the Company against the Defendants: (1) an Order for accounting on a wilful default or common account basis against Mr Tham and Mr Wong; (2) an Order that the Defendants pay damages of US\$ 11 million to the Company; (3) an Order that Mr Tham pay damages; (4) an Order that Mr Wong pay damages; (5) a declaration that each Sales Agreement had been rescinded; (6) a declaration there is a change in favour of the Company over assets transacted in breach of duty; (7) an Order that the Defendants restore to the Plaintiff any asset transacted in breach of duty; (8) an Order that Mr Tham and Mr Wong indemnify the Company and hold the Company harmless against liabilities, loss or damaged incurred or to be incurred as a result of the under-declaration of GST; (9) the costs; (10) the interest and (11) such further or orders by the Court as deems just and fit.
- (vi) On 2 February 2021, the Group commenced High Court suit no. S130/00 ("S130") against Mr Li Hua ("Mr Li"). The action was brought by the Group, in relation to the acquisition of three (3) Eco Fuel Transaction Plants, Sale and Purchase of Koon Cheng Development Pte Ltd, and installation of Automated Environmental Sanitizer System, against Mr Li for Breach of Director's Duties. The following relief were sought by the Company against Mr Li: (1) a declaration that the Defendant has breached his duties to the Group; (2) the sum of US\$11 million; (3) the sum of \$13,677,600; (4) the sum of \$138,672; (5) an account of the profit made by Mr Li by reason of all said transactions; (6) payment of all sums found due to the Group on taking the aforementioned account; (7) indemnity for loss and expenses incurred by the Group as a result of the underpayment of GST; (8) indemnity for loss and expenses incurred by the Group in S328; (9) loss and damages to be assessed; (10) equitable compensation; (11) interest under Section 12 of the Civil Law Act (Cap 43); (12) costs; and (13) such further or orders by the Court as deems fit
- (vii) On 13 December 2021, the Company commenced Originating Summons No. OS1270/2021 ("OS1270") against Fervent Chambers LLC ("Fervent"). OS1270 was brought by the Company to seek an order against Fervent to send disputed invoices for taxation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

27. Contingent liabilities (cont'd)

Details and estimates of maximum amounts of contingent liabilities are as follows (cont'd):

- (viii) On 6 June 2021, Fervent Chambers LLC ("Fervent") commenced Bill of Costs No. BC77/2021 to tax the disputed invoice no. FCL/D/2021-04-18 for an amount of \$37,643.77 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suit No. S612/2020. At the hearing on 16 November 2021, the Court has allowed (i) costs at \$27,530.73 and (ii) Court allocator fees at \$1,651.84 with an additional fee of \$50 for the Registrar's Certificate to be awarded to Fervent. On 23 November 2021, the Company had filed for a review of the taxation order to be made on 16 November 2021.
- (ix) On 9 June 2021, Fervent Chambers LLC ("Fervent") commenced Bill of Costs No. BC81/2021 to tax the disputed invoice no. FCL/D/2021-04-16 for an amount of \$36,749.50 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suit No. S855/2020. At the hearing on 16 November 2021, the Court has allowed (i) costs at \$33,159.60 and (ii) Court allocator fees at \$1,989.58 with an additional fee of \$50 for the Registrar's Certificate to be awarded to Fervent. On 23 November 2021, the Company had filed for a review of the taxation order to be made on 16 November 2021.
- (x) On 11 June 2021, Fervent Chambers LLC ("Fervent") commenced Bill of Costs No. BC82/2021 ("BC82") to tax the disputed invoice no. FCL/D/2021-04-19 for an amount of \$17,096.25 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suit No. S292/2021. At the hearing on 16 November 2021, the Court has allowed (i) costs at \$16,782.25 and (ii) Court allocator fees at \$1,006.94 with an additional fee of \$50 for the Registrar's Certificate to be awarded to Fervent. On 23 November 2021, the Company had filed for a review of the taxation order to be made on 16 November 2021.
- (xi) On 11 June 2021, Fervent Chambers LLC ("Fervent") commenced Bill of Costs No. BC83/2021 ("BC83") to tax the disputed invoice no. FCL/D/2021-04-35 for an amount of \$18,944.00 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suit No. S115/2020 and S116/2020. At the hearing on 16 November 2021, the Court has allowed (i) costs at \$17,120.31 and (ii) Court allocator fees at \$1,027.22 with an additional fee of \$50 for the Registrar's Certificate to be awarded to Fervent. On 23 November 2021, the Company had filed for a review of the taxation order to be made on 16 November 2021.
- (xii) On 9 July 2021, Fervent Chambers LLC ("Fervent") commenced Bill of Costs No. BC100/2021 ("BC100") to tax the disputed invoice no. FCL/D/2021-06-08 for an amount of \$20,476.31 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suit No. S292/2020. At the hearing on 16 November 2021, the Court has allowed (i) costs at \$19,123.79 and (ii) Court allocator fees at \$1,179.61 with an additional fee of \$50 for the Registrar's Certificate to be awarded to Fervent. On 23 November 2021, the Company had filed for a review of the taxation order to be made on 16 November 2021.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

27. Contingent liabilities (cont'd)

Details and estimates of maximum amounts of contingent liabilities are as follows (cont'd):

- (xiii) On 9 July 2021, Fervent Chambers LLC ("Fervent") commenced Bill of Costs No. BC101/2021 ("BC101") to tax the disputed invoice no. FCL/D/2021-06-07 for an amount of \$47,137.26 (excluding disbursements), in relation to legal services rendered to the Company in High Court Suit No. S855/2020. At the hearing on 16 November 2021, the Court has allowed (i) costs at \$40,278.93 and (ii) Court allocator fees at \$2,416.74 with an additional fee of \$50 for the Registrar's Certificate to be awarded to Fervent. On 23 November 2021, the Company had filed for a review of the taxation order to be made on 16 November 2021.

28. Financial instruments

a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the financial year are as follows:

	<u>Group</u>		<u>Company</u>	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Financial assets at amortised costs	10,441	8,657	11,073	9,701
Financial liabilities, at amortised cost	47,619	47,043	5,381	4,683

b) Financial risk management

The Group and Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from these financial risks on the Group's financial performance. The Group uses derivatives such as interest swap contracts to hedge certain interest rate risk exposures but the Group does not hold derivative financial instruments for trading purposes. The Board reviews and agrees policies for managing risks and they are summarised below.

There have been no changes to the exposures to risk, the objectives, policies and processes for managing the risk and the methods used to measure the risk.

Foreign currency risk

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly United State dollars ("USD"), Japanese Yen ("JPY") and Malaysian Ringgit ("MYR").

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

b) Financial risk management (cont'd)

Foreign currency risk (cont'd)

At the end of reporting period, the Group has the following financial assets and financial liabilities denominated in foreign currencies based on information provided to key management:

	USD \$'000	JPY \$'000	MYR \$'000	Total \$'000
Group				
2022				
<i>Financial assets</i>				
Cash and cash equivalents and fixed deposits	-	-	521	521
Trade and other receivables	43	680	10	733
	<u>43</u>	<u>680</u>	<u>531</u>	<u>1,254</u>
<i>Financial liabilities</i>				
Trade and other payables	(370)	(81)	(3)	(454)
Borrowings	(832)	(42)	(89)	(963)
	<u>(1,202)</u>	<u>(123)</u>	<u>(92)</u>	<u>(1,417)</u>
Net financial (liabilities)/assets denominated in foreign currencies	(1,159)	557	439	(163)
	USD \$'000	JPY \$'000	MYR \$'000	Total \$'000
Group				
2021				
<i>Financial assets</i>				
Cash and cash equivalents and fixed deposits	223	9	-	232
Trade and other receivables	142	-	-	142
	<u>365</u>	<u>9</u>	<u>-</u>	<u>374</u>
<i>Financial liabilities</i>				
Trade and other payables	(14,819)	(349)	(17)	(15,185)
Borrowings	(4,234)	(975)	-	(5,209)
	<u>(19,053)</u>	<u>(1,324)</u>	<u>(17)</u>	<u>(20,394)</u>
Net financial liabilities denominated in foreign currencies	(18,688)	(1,315)	(17)	(20,020)

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

b) Financial risk management (cont'd)

Foreign currency risk (cont'd)

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

	2022 \$'000	2021 \$'000
A hypothetical 10% (2021: 10%) strengthening in the exchange rate of the functional currency \$ against US\$ with all other variables held constant would have a favourable effect on pre-tax profit of	116	1,869
A hypothetical 10% (2021: 10%) strengthening in the exchange rate of the functional currency \$ against JPY with all other variables held constant would have a (unfavourable)/favourable effect on pre-tax profit	(56)	132
A hypothetical 10% (2020: 10%) strengthening in the exchange rate of the functional currency \$ against MYR with all other variables held constant would have a (unfavourable)/favourable effect on pre-tax profit of	(44)	2

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

Interest rate risk

The interest rate risk exposure is from changes in fixed rate and floating interest rates and it mainly concerns borrowings which are both fixed rate and floating rate. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	2022 \$'000	2021 \$'000
<u>Financial Liabilities</u>		
Fixed rates	7,315	5,748
Floating rates	33,271	35,181

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

b) Financial risk management (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis:

A hypothetical variation in floating interest rate by 100 basis points with all other variables held constant, would have an increase/decrease in pre-tax loss for the year by

335

352

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in term of changing of their cash flows and therefore in terms of the impact on profit or loss. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

The Company is not exposed to significant interest rate risk as it does not have financial liabilities carry at floating interest rate.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with credit quality counterparties.

The Group has no significant concentration of credit risk. The Company has no significant concentration of credit risk except for the loans and receivables from subsidiaries as disclosed in Note 17.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 90 days past due and there is evidence of credit impairment	Lifetime ECL- credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Definition of Default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable.

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Concentration of trade receivable customers as at the end of the reporting date as follows:

	Group	
	2022	2021
	\$'000	\$'000
Top 1 customers	707	282
Top 2 customers	494	195
Top 3 customers	370	147

The Company has significant credit risk exposures arising on amounts due from subsidiaries (Note 17).

The maximum exposure to credit risk is represented by the carrying amount of each financial assets presented on the statements of financial position and the amount of \$36,080,000 (2021: \$41,307,000) relating to corporate guarantees given by the Company to banks for the subsidiaries' bank borrowings (Note 23).

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

b) *Financial risk management* (cont'd)

Credit risk (cont'd)

Estimation techniques and significant assumptions (cont'd)

Movements in credit loss allowance are as follows:

	Trade Receivables \$'000	Other Receivables \$'000	Total \$'000
Group			
Balance as at 1 April 2020	1,304	498	1,802
Loss allowance measured:			
Lifetime ECL			
- simplified approach	13	-	13
- credit-impaired	-	57	57
- currency translation differences	54	-	54
	67	57	124
Balance as at 31 March 2021	1,371	555	1,926
Loss allowance measured:			
Lifetime ECL			
- currency translation differences	173	333	506
	173	333	506
Balance as at 31 March 2022	1,544	888	2,432

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

b) *Financial risk management (cont'd)*

Credit risk (cont'd)

Estimation techniques and significant assumptions (cont'd)

Movements in credit loss allowance are as follows (cont'd):

	Trade Receivables \$'000	Other Receivables \$'000	Total \$'000
Company			
Balance as at 1 April 2020	-	25,619	25,619
Loss allowance measured:			
Lifetime ECL			
- credit-impaired	140	4,983	5,123
- write back	-	(70)	(70)
- currency translation differences	-	(850)	(850)
	140	4,063	4,203
Balance as at 31 March 2021	140	29,682	29,822
Loss allowance measured:			
Lifetime ECL			
- credit-impaired	-	-	-
- write off	(140)	-	(140)
- currency translation differences	-	160	160
	(140)	160	20
Balance as at 31 March 2022	-	29,842	29,842

Trade receivables

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions affecting the ability of the customers to settle the receivables.

There has been no change in the estimation techniques or significant assumptions made during the current financial year. In view of the current COVID-19 pandemic, the Group has considered the impact of the pandemic on the recoverability and liquidity of its trade receivables and in particular, whether there is significant decline in the repayment ability of its debtors. There has been no change in the estimation techniques or significant assumptions made during the current financial year.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Trade receivables (cont'd)

A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor such as when the debtor has been placed under liquidation, has entered into bankruptcy proceedings, cannot be located or are not recoverable despite legal recourse made to recover the debt, including reminders and letters of demand issued for debts due for more than 12 months.

The group's credit risk exposure in relation to trade receivables under SFRS(I) 9 is set out in the provision matrix below:

	Not past due \$'000	Within 3 months \$'000	Past due 3 to 6 months \$'000	6 to 12 months \$'000	More than 1 year \$'000	Total \$'000
Group 2022						
<i>Marine distributors and dealerships</i>						
Expected loss rate	0.23%	3.02%	2.44%	1.00%	99.26%	
Gross Receivables	1,459	484	46	234	1,521	3,744
Loss allowance	(4)	(16)	(2)	(2)	(1,511)	(1,535)
<i>Calibration of environmental equipment</i>						
Expected loss rate	0%	0%	50.00%	0%	0%	
Gross Receivables	332	144	18	-	-	494
Loss allowance	-	-	(9)	-	-	(9)
<i>Property investments</i>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross Receivables	39	-	-	-	-	39
Loss allowance	-	-	-	-	-	-
<i>Recycling of waste oil</i>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross Receivables	-	-	-	-	-	-
Loss allowance	-	-	-	-	-	-
Total gross receivables	1,830	628	64	234	1,521	4,277
Total loss allowance	(4)	(16)	(11)	(2)	(1,511)	(1,544)
Net carrying amount	1,826	612	53	232	10	2,733

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

b) *Financial risk management (cont'd)*

Credit risk (cont'd)

Trade receivables (cont'd)

	Not past due \$'000	Within 3 months \$'000	Past due 3 to 6 months \$'000	6 to 12 months \$'000	More than 1 year \$'000	Total \$'000
Group 2021						
<i>Marine distributors and dealerships</i>						
Expected loss rate	0.23%	3.02%	2.44%	1.00%	99.26%	
Gross Receivables	1,300	431	41	209	1,356	3,337
Loss allowance	(3)	(13)	(1)	(2)	(1,346)	(1,365)
<i>Calibration of environmental equipment</i>						
Expected loss rate	0%	0%	50.00%	0%	0%	
Gross Receivables	219	95	12	-	-	326
Loss allowance	-	-	(6)	-	-	(6)
<i>Property investments</i>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross Receivables	42	25	90	-	-	157
Loss allowance	-	-	-	-	-	-
<i>Recycling of waste oil</i>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross Receivables	18	50	-	-	-	68
Loss allowance	-	-	-	-	-	-
Total gross receivables	1,579	601	143	209	1,356	3,888
Total loss allowance	(3)	(13)	(7)	(1)	(1,347)	(1,371)
Net carrying amount	1,576	588	136	208	9	2,517

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

(b) *Financial risk management* (cont'd)

Credit risk (cont'd)

Other financial assets at amortised cost

The table below details the credit quality of the Group's financial assets (other than trade receivables):

Group 2022	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Deposits	N.A. Exposure Limited	879	-	879
Other receivables	Lifetime ECL	1,283	(888)	395
Cash and cash equivalents	N.A. Exposure Limited	6,434	-	6,434
2021	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Deposits	N.A. Exposure Limited	467	-	467
Other receivables	Lifetime ECL	1,258	(555)	703
Cash and cash equivalents	N.A. Exposure Limited	4,970	-	4,970

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

(b) *Financial risk management (cont'd)*

Credit risk (cont'd)

Other financial assets at amortised cost

The table below details the credit quality of the Company's financial assets (other than trade receivables):

Company 2022	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Amounts due from subsidiaries	12-month ECL	1,233	-	1,233
	Lifetime ECL	38,505	(29,842)	8,663
Deposits	N.A. Exposure Limited	295	-	295
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	882	-	882
2021	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Amounts due from subsidiaries	N.A. Exposure Limited	1,233	-	1,233
	Lifetime ECL	36,345	(29,682)	6,663
Deposits	Lifetime ECL	200	-	200
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	350	-	350

The credit loss exposure for cash and cash equivalents and deposits is are immaterial as at 31 March 2022 and 31 March 2021.

Financial guarantee

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The directors do not expect credit loss exposure arising from these guarantees in view that the borrowings were secured (Note 23).

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

(b) *Financial risk management* (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

In managing its liquidity, Management monitors and reviews the Group's and Company's forecasts of liquid reserves (comprise cash and cash equivalents and undrawn borrowing facilities) on the basis of expected cash flows determined at local level in the respective operating companies of the Group in accordance with limits set by the Group.

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at the end of reporting period based on contractual undiscounted repayment obligations.

	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Group 2022				
Trade and other payables	8,275	678	-	8,953
Borrowings	32,042	1,231	-	33,273
Lease Liabilities	257	4,604	-	4,861
2021				
Trade and other payables	5,840	302	-	6,142
Borrowings	17,459	9,455	12,281	39,195
Lease Liabilities	792	2,578	3,687	7,057

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

28. Financial instruments (cont'd)

(b) *Financial risk management* (cont'd)

Liquidity risk (cont'd)

	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Company 2022				
Trade and other payables	4,288	-	-	4,288
Lease Liabilities	134	33	-	167
Corporate guarantees to banks*	36,080	-	-	36,080
2021				
Trade and other payables	4,398	-	-	4,398
Lease Liabilities	134	167	-	301
Corporate guarantees to banks*	36,080	-	-	36,080

* At the end of reporting period, the maximum exposure of the Company in respect of the intra-group corporate guarantees based on facilities drawn down by the subsidiaries is \$36,080,000 (2021: \$36,080,000). The Company does not consider it probable that a claim will be made against the Company under the intragroup corporate guarantees.

At the end of the reporting period, the Group has undrawn available credit facilities with certain banks of \$6,991,000 (2021: \$6,991,000).

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

29. Significant related party transactions

- a) In addition to the information disclosed elsewhere in these financial statements, the following transactions took place between the Company and related parties during the financial year on terms agreed by the parties concerned:

	<u>Group and Company</u>	
	2022	2021
	\$'000	\$'000
With shareholder		
Loan from shareholder	1,000	-
Interest expense	-	45

- b) Key management personnel compensation

Total Key management personnel compensation is analysed as follows:

	<u>Group and Company</u>	
	2022	2021
	\$'000	\$'000
Salaries, director's fee and other short-term employee benefits	448	312
Contributions to defined plan	14	26

Included in the above amount are the following items:

Directors' remuneration	211	272
-------------------------	------------	-----

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly.

30. Fair value of assets and liabilities

(a) Fair value hierarchy

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

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

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

30. Fair value of assets and liabilities (cont'd)

(b) Fair value measurements of assets that are measured at fair value

The following table presents the level of fair value hierarchy for each class of assets measured at fair value at the end of the reporting period.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Group				
at 2021 and 2022				
Non-financial assets				
Investment properties	-	-	26,000	26,000

(c) Determination of fair values

Investment properties

The basis of determining fair values for disclosure at the end of the reporting period is disclosed in Note 12.

(d) Determination of fair values

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

	Investment properties	
	2022	2021
	\$'000	\$'000
Group		
Balance at beginning of financial year	26,000	28,000
Fair value loss recognised in profit or loss	-	(2,000)
Balance at end of financial year	26,000	26,000

(e) Valuation process applied by the Group

The management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, management reports to the Group's ARMC.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

30. Fair value of assets and liabilities (cont'd)

(e) Valuation process applied by the group (cont'd)

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 Fair Value Measurement guidance to perform the valuation. For valuations performed by external valuation experts, management reviews the appropriateness of the valuation methodologies and assumptions adopted.

Management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(f) Assets and liabilities not carried at fair value but which fair values are disclosed

The carrying amounts of non-current other payables and non-current borrowings approximate their fair values at the end of the reporting period, as the market lending rates at the end of the reporting period were not significantly different from either their respective coupon rates of the agreements or market lending rate at the initial measurement date.

The basis of determining fair value disclosure purposes at the end of the reporting period are disclosed in Notes 21 and 22 respectively.

The above does not include financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

31. Segment information

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes, the Group is organised into the following major strategic operating segments that offer different products and services: (1) property investments, (2) marine distributors and dealerships, (3) calibration of environment equipment, (4) recycling of waste oil and (5) others which include investment holding.

Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance of each segment. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

- a) The property investments segment is a property developer and property investment.
- b) The marine distributors and dealerships is a trader of marine equipment and related products.
- c) The calibration of environment equipment segment is a trader and service provider of mechanical and electronic scientific and industrial instruments as well as air purification products.
- d) The recycling of waste oil segment is a research and development, engineering, manufacturing and consultancy for the biofuel industry.
- e) The others segment includes investment holding companies.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

31. Segment information (cont'd)

The segment information provided to management for the reportable segments are as follows:

	Property Investment \$'000	Marine distributors and dealerships \$'000	Calibration of environmental equipment \$'000	Recycling of waste oil \$'000	Others \$'000	Elimination \$'000	Total \$'000
For the financial year ended 31 March 2022							
Revenue							
External sales	2,709	30,532	2,245	2,831	4,817	(3,746)	39,388
Results							
Segment results before interest and income tax	410	1,569	122	35	443	1,370	3,949
Interest income	1	40	-	-	-	-	41
Interest expense	-	(500)	(25)	(1)	(714)	64	(1,176)
Profit/(Loss) before income tax	411	1,109	97	34	(271)	1,434	2,814
Tax expense	(46)	(429)	-	-	-	123	(352)
(Loss)/Profit for the financial year	365	680	97	34	(271)	1,557	2,462
Depreciation of property, plant and equipment (Note 11)	(485)	(196)	(192)	(671)	(50)	-	(1,594)
Gain/(Loss) on disposal of property, plant and equipment (Note 11)	-	285	-	16	-	-	301
Interest expense	-	(500)	(25)	(1)	(714)	64	(1,176)
Interest income	1	40	-	-	-	-	41

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

31. Segment information (cont'd)

Assets FY2022	Property Investment \$'000	Marine distributors and dealerships \$'000	Calibration of environmental equipment \$'000	Recycling of waste oil \$'000	Others \$'000	Elimination \$'000	Total \$'000
Segment assets	12,641	40,499	4,393	6,712	13,511	(4,409)	73,347
Consolidated total assets	-	-	-	-	-	-	<u>73,347</u>
Segment assets include: Capital expenditure on plant, property and machinery	11	422	53	-	304	-	790
Liabilities							
Segment liabilities	1,796	31,642	2,589	4,309	11,835	(2,169)	50,002
Consolidated total liabilities							<u>50,002</u>

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

31. Segment information (cont'd)

	Property Investment \$'000	Marine distributors and dealerships \$'000	Calibration of environmental equipment \$'000	Recycling of waste oil \$'000	Others \$'000	Elimination \$'000	Total \$'000
For the financial year ended 31 March 2021							
Revenue							
External sales	3,116	26,636	2,349	1,976	-	-	34,077
Inter segment sales	-	113	356	-	2,367	(2,836)	-
Total Sales	3,116	26,749	2,705	1,976	2,367	(2,836)	34,077
Results							
Segment Profit/(Loss)	(1,686)	(383)	30	105	515	-	(1,419)
Bad debt written off (Note 7)	-	(559)	-	-	-	-	(559)
Depreciation of property, plant and equipment (Note 11)	(19)	(883)	(248)	(1,042)	(115)	-	(2,307)
Deposit written off	(10)	-	-	-	(50)	-	(60)
Fair value loss on investment properties (Note 5)	(2,000)	-	-	-	-	-	(2,000)
Gain on disposal of financial assets through profit or loss (Note 5)	-	-	-	-	1,037	-	1,037
Gain on disposal of property, plant and equipment	-	241	11	-	-	-	252
Impairment loss of other receivables (Note 7)	-	(57)	-	-	-	-	(57)
Impairment loss of trade receivables (Note 7)	-	(237)	-	-	-	-	(237)
Interest expenses	(519)	(781)	(45)	(281)	(232)	65	(1,793)
Interest income	-	48	65	1	6	(65)	55
Reversal of allowance for impairment loss of trade receivables (Note 7)	-	224	-	-	-	-	224
Write down of inventories (Note 7)	-	243	28	-	-	-	271

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

31. Segment information (cont'd)

Assets FY2021	Property Investment \$'000	Marine distributors and dealerships \$'000	Calibration of environmental equipment \$'000	Recycling of waste oil \$'000	Others \$'000	Elimination \$'000	Total \$'000
Segment assts	26,961	32,009	3,650	10,888	19,222	(21,217)	71,513
Unallocated assets	-	-	-	-	-	-	432
Consolidated total assets	-	-	-	-	-	-	<u>71,945</u>
Segment assets include:							
Capital expenditure on plant, property and machinery	19	181	26	-	424	-	650
Liabilities							
Segment liabilities	25,353	17,102	1,530	4,585	10,465	(10,750)	48,285
Unallocated liabilities	-	-	-	-	-	-	1,563
Consolidated total liabilities							<u>49,848</u>

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

31. Segment information (cont'd)

Segment results

Performance of each segment is evaluated based on segment profit or loss which is measured in a manner that is consistent with loss before tax in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than deferred tax assets and tax recoverable which are classified as unallocated assets.

Segment liabilities

The amounts provided to management with respect total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than deferred tax liabilities and income tax payable. These liabilities are classified as unallocated liabilities.

Geographical information

Geographical information

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

	Sales to external customers		Non-current assets	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Malaysia	27,860	22,134	4,417	3,789
Singapore	9,741	6,582	45,069	46,823
Rest of Asia	1,787	5,361	342	991
	39,388	34,077	49,828	51,603

Non-current assets information presented above related to non-current assets as presented on the consolidated statement of financial position excluding deferred tax asset.

Information about major customer

Revenue of approximately \$2,735,000 (2021: \$3,776,000) are derived from 2 (2021: 1) external customers that contributed more than 5% (2021: 10%) of the Group's revenue and are attributable to the marine distributor and dealerships segment.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

32. Capital management

The objectives when managing capital are: to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken.

There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

In order to maintain its listing on the Singapore Stock Exchange, it has to have share capital with a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital, as shown below. Net debt is calculated as total borrowings less cash and cash equivalents.

	Group	
	2022	2021
	\$'000	\$'000
Net debt:		
All current and non-current borrowings including leases	38,376	40,929
Less: Cash and cash equivalents (Note 18)	(6,434)	(4,970)
Net debt	31,942	35,959
Total equity	23,345	22,097
Gearing ratio	137%	163%

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

33. Leases

a) The Group and the Company as a lessee

Nature of the Group and the Company's leasing activities

The Group and the Company's leasing activities comprise the following:

- (i) The Group and the Company lease land, office, factories and motor vehicles from non-related parties under non-cancellable lease agreements. The leases have a tenure of 2 to 41 years.
- (ii) In addition, the Group leases certain office equipment with contractual terms of 6 months to five years. These leases are short-term and/or low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The Group has options to purchase certain equipment/motor vehicles for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases. No restrictions are imposed on dividends or further leasing.

The maturity analysis of the lease liabilities is disclosed in Note 28(b).

	Group	
	2022	2021
	\$'000	\$'000
Lease liabilities - current	257	477
Lease liabilities – non-current	4,603	4,626
	4,860	5,103

	Group	
	2022	2021
	\$'000	\$'000
<u>Amounts recognised in profit or loss</u>		
Depreciation of right-of-use assets	285	957
Interest expense on lease liabilities (Note 6)	46	326

b) The Group as a lessor

Nature of the Group's leasing activities – Group as a lessor

The Group leased out its investment properties to third parties for monthly lease payments. The lease is classified as an operating lease because the risks and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from investment properties is disclosed in Note 4.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

33. Leases (cont'd)

b) The Group as a lessor (cont'd)

Nature of the Group's leasing activities – Group as a lessor (cont'd)

Subleases – classified as operating leases

The Group leases office space under a head lease arrangement and subleases part of the office space to third parties as an intermediate lessor. The sub-lease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as operating leases.

Income from subleasing recognised during the financial year amounted to \$102,000 (2021: \$175,000).

The following table shows the maturity analysis of the undiscounted lease payments to be received:

	Total \$'000
2022	
Less than one year	2,279
1 to 5 years	1,232
Total undiscounted lease payments	3,511
2021	
Less than one year	2,381
1 to 5 years	1,232
Total undiscounted lease payments	3,613

34. Events occurring after the financial year

Except for the subsequent events disclosed in Note 3.1, which were considered by the Board of Directors in assessing the appropriateness of the going concern basis of preparation, the other significant events occurring after the financial year are set out below.

Disposal of property by a subsidiary

On 22 November 2022, the Company's wholly-owned subsidiary, Supratechnic Pte. Ltd., granted an option to purchase to Liang & How Contractor Pte. Ltd. for the disposal of its property located at 16A Joo Koon Circle, Singapore 629048, for a consideration of \$5,300,000.

The disposal was completed on 21 July 2023. The net proceeds from the disposal were applied towards the settlement of the subsidiary's outstanding trade financing and defaulted bank loans.

Settlement of legal proceedings

On 4 April 2023, the Group reached a full and final settlement with Sin Hong Hwa Pte Ltd, Mr Oon Koon Cheng, Mr Li Hua, Ms Koh Bee Geok and Mr Yin Kum Choy in respect of HC/S 328/2020 and HC/S 612/2020.

Pursuant to the settlement, the Company discontinued HC/S 328/2020 and paid an aggregate settlement sum of \$268,000 on 16 May 2023. Following the payment of the relevant settlement sum, HC/S 612/2020 against the Company was discontinued.

USP GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

34. Events occurring after the financial year (cont'd)

Appointment of receivers over a subsidiary's property

On 12 May 2023, Messrs Ng Kian Kiat and Yap Hui Li of RSM Corporate Advisory Pte. Ltd. were appointed by United Overseas Bank Limited as joint and several receivers over the property located at 2 Tuas South Street 15, Singapore 637079, which was owned by the Company's subsidiary, Biofuel Research Pte Ltd. The subsidiary was notified of the appointment by a letter dated 16 May 2023.

The property was charged in favour of United Overseas Bank Limited pursuant to a second legal mortgage dated 26 January 2018.

Change of names of wholly-owned subsidiaries

On 5 June 2026, the Company's wholly-owned subsidiaries, Supratechnic SII Pte. Ltd. and Supratechnic Capital Pte. Ltd., changed their names to SuprAI Pte. Ltd. and SuprAI Capital Pte. Ltd., respectively. These changes related solely to the corporate names of the subsidiaries and did not result in any changes to their principal activities, operations, assets, liabilities, shareholdings or the Group's structure.

Proposed Loan Capitalisation

Subsequent to the reporting date, on 14 August 2026, the Company announced a proposed capitalisation of a non-interest-bearing loan of \$3,000,000 obtained on 19 November 2025 from Ascendro Group (Note 3.1) into 270,862,209 new ordinary shares to be issued to Ascendro Group. Upon completion, Ascendro Group is expected to hold approximately 75% of the enlarged issued share capital of the Company and become its controlling shareholder. The proposed transaction remains subject to, amongst others, shareholders' approval and regulatory approvals. Management has assessed the matter as a material non-adjusting event after the reporting period.

Entry into Joint Venture and Letter of Intent

On 26 August 2026, the Company's indirect wholly-owned subsidiary, Scientific & Industrial Instrumentation Pte Ltd ("SII"), entered into an unincorporated joint venture and commercial collaboration agreement with the Kimera Health group of companies for the joint marketing, distribution, registration and servicing of healthcare, laboratory and instrumentation products across Singapore, Malaysia and Indonesia. No capital contribution or consideration is payable by the Group. Concurrently, SII and the Company entered into a non-binding letter of intent in respect of a proposed acquisition of up to 51% of the Kimera Health entities, which remains subject to due diligence, valuation, definitive documentation and requisite approvals. Management has assessed the matter as a material non-adjusting event after the reporting period.

35. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 31 August 2026.

USP Group Ltd - FS FY22 (Final)

Final Audit Report

2026-08-31

Created:	2026-08-31
By:	LIM FENG (feng.lim@pkf.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAvfyO2-Zt9gJbykDU0BW3IPYLeHU-B_a6

"USP Group Ltd - FS FY22 (Final)" History



Document created by LIM FENG (feng.lim@pkf.com)

2026-08-31 - 1:03:40 AM GMT



Document emailed to Eng Kian (engkian.lee@pkf.com) for signature

2026-08-31 - 1:03:49 AM GMT



Email viewed by Eng Kian (engkian.lee@pkf.com)

2026-08-31 - 1:05:27 AM GMT



Document e-signed by Eng Kian (engkian.lee@pkf.com)

Signature Date: 2026-08-31 - 1:06:39 AM GMT - Time Source: server - Signature Appearance Selected: IMAGE



Agreement completed.

2026-08-31 - 1:06:39 AM GMT



Adobe Acrobat Sign