

SUMEET GLOBAL PTE.LTD.
(ACRA REGISTRATION NO. No.201229343C)

(Incorporated in The Republic of Singapore)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

SUMEET GLOBAL PTE. LTD.
(Incorporated in The Republic of Singapore)

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DIRECTORS' STATEMENT

The directors present their report to the members together with the audited financial statements of the Company for the financial year ended 31st March 2017.

We, the directors of Sumeet Global Pte. Ltd. , state that:

- (a) the accompanying statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes thereto as set out on pages 5 to 27 are drawn up so as to give a true and fair view of the financial position of the Company as at 31st March 2017 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended;
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due; and
- (c) management is responsible for the preparation of financial statements that gives a true and fair view in accordance with the provision of the Singapore Companies Act Cap 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

DIRECTORS

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

Somani Sumeet Shankarlal
Somani Shankerlal Sitaram
Kalyanasundaram Maran

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE 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 object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" in this statement.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

- a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

Company (No. of ordinary shares)	<u>Holdings registered in name of director or</u> <u>nominee</u>		<u>Holdings in which director is deemed to</u> <u>have an interest</u>	
	<u>At 31st</u> <u>March 2017</u>	<u>At 1st April 2016 or</u> <u>date of appointment if</u> <u>later</u>	<u>At 31st</u> <u>March 2017</u>	<u>At 1st April 2016 or date</u> <u>of appointment if later</u>
Somani Sumeet Shankarlal	-	-	1,144,000	1,144,000
Somani Shankerlal Sitaram	-	-	3,706,183	3,706,183
Kalyanasundaram Maran	-	-	-	-

DIRECTORS' STATEMENT (CONT'D)

Immediate and Ultimate Holding Corporation (No. of ordinary shares)	<u>Holdings registered in name of director or nominee</u>		<u>Holdings in which director is deemed to have an interest</u>	
	<u>At 31st March 2017</u>	<u>At 1st April 2016 or date of appointment if later</u>	<u>At 31st March 2017</u>	<u>At 1st April 2016 or date of appointment if later</u>
Sumeet Industries Limited	3,000,001	3,000,001		
Directors having interest in immediate and ultimate holding company (No. of ordinary shares)	<u>Holdings registered in name of director or nominee</u>		<u>Holdings in which director is deemed to have an interest</u>	
	<u>At 31st March 2017</u>	<u>At 1st April 2016 or date of appointment if later</u>	<u>At 31st March 2017</u>	<u>At 1st April 2016 or date of appointment if later</u>
Somani Sumeet Shankarlal	1,144,000	1,144,000		
Somani Shankerlal Sitaram	3,706,183	3,706,183		
Kalyanasundaram Maran	-	-	-	-

The immediate and ultimate Holding Company of the Company is Sumeet Industries Limited (incorporated in the Republic of India).

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

- (b) The directors' interest in the ordinary shares of the Company as at were the same as those as at 31st March 2017.

SHARE OPTIONS

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

INDEPENDENT AUDITORS

The Independent auditors, Stamford Associates LLP, Chartered Accountants of Singapore, have expressed their willingness to accept re-appointment.

On behalf of the Board

.....
Somani Sumeet Shankarlal
Director

.....
Somani Shankerlal Sitaram
Director

Singapore
Date:

INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF SUMEET GLOBAL PTE. LTD.
(REGISTRATION NO. 201229343C)
FOR THE FINANCIAL YEAR ENDED 31st MARCH 2017**

Qualified Opinion

We have audited the financial statements of SUMEET GLOBAL PTE. LTD. ("the Company") which comprise the statement of financial position as at 31st March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 5 to 27.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31st March 2017 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Qualified Opinion

We are unable to verify the valuation of trade receivables amounting to the extent of US\$10,469,728/- included in trade and other receivables (Note 7). The management represented that the amount is recoverable and no impairment provision is required, however, we could not obtain any sufficient appropriate audit evidence to verify the valuation of the same independently. Hence, we are unable to express our opinion on the valuation of trade and other receivables (Note 7) to the extent of US\$10,469,728/- as stated in the statement of financial position.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

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

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement included in pages 1 to 2 but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and 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 Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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STAMFORD ASSOCIATES LLP

Public Accountants and
Chartered Accountants, Singapore.

SINGAPORE.

Dated:

**STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017**

	<u>Note</u>	<u>2017</u> US\$	<u>2016</u> US\$
ASSETS			
Non-current assets			
Property, plant and equipment	4	-	-
		-	-
Current assets			
Cash and Cash Equivalents	5	10,743	99,267
Bank fixed deposits	6	1,500,000	1,500,000
Trade and other receivables	7	13,398,749	14,021,238
Total Current Assets		14,909,492	15,620,505
Total Assets		14,909,492	15,620,505
LIABILITIES			
Non - Current liabilities			
Deferred Tax Liability	19	-	-
		-	-
Current liabilities			
Trade and other payables	10	10,234,966	10,204,443
Amount due to Holding Company	12	162,529	1,098,074
Bank borrowings	11	-	132,315
Provision for taxation	20	52,253	88,694
Total Current Liabilities		10,449,748	11,523,526
Total Liabilities		10,449,748	11,523,526
NET ASSETS		4,459,744	4,096,979
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share Capital	3	3,000,001	3,000,001
Accumulated Profit		1,459,743	1,096,978
Total Equity		4,459,744	4,096,979

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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017**

	<u>Note</u>	<u>2017</u> US\$	<u>2016</u> US\$
Sales	13	33,226,599	32,422,241
Cost of sales	15	<u>(32,696,109)</u>	<u>(31,782,907)</u>
Gross profit		530,490	639,334
Other income	14	<u>365,152</u>	<u>45,276</u>
		895,642	684,610
Less :			
Administrative expenses		<u>(175,274)</u>	<u>(51,911)</u>
Profit from operations	16	720,368	632,699
Finance costs	17	<u>(327,953)</u>	<u>(296,483)</u>
Profit before tax		392,415	336,216
Income tax benefit / (Expense)	20	<u>(29,650)</u>	<u>(23,166)</u>
Deferred Tax	19	<u>-</u>	<u>-</u>
Profit from continuing operations		362,765	313,050
Profit / (loss) from discontinued operations		<u>-</u>	<u>-</u>
Total Income		362,765	313,050
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss		<u>-</u>	<u>-</u>
Items that will not be reclassified subsequently to profit or loss		<u>-</u>	<u>-</u>
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>
Total Comprehensive income		362,765	313,050

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

	—————▶ Attributable to equity holders of the Company ◀—————		
	<u>Share Capital</u> US\$	<u>Accumulated Profit</u> US\$	<u>Total Equity</u> US\$
Balance as at 1 st April 2015	3,000,001	783,928	3,783,929
Total comprehensive income for the financial year	-	313,050	313,050
Balance as at 31st March 2016	3,000,001	1,096,978	4,096,979
Total comprehensive income for the financial year	-	362,765	362,765
Balance as at 31st March 2017	3,000,001	1,459,743	4,459,744

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

	<u>Note</u>	<u>2017</u> US\$	<u>2016</u> US\$
<u>Cash flows from operating activities</u>			
Profit / (Loss) before tax		392,415	336,216
Adjustments for:			
Depreciation	4	1,231	-
Interest paid on trust receipt	17	10,263	18,142
Cash Flows Before Changes in Working Capital		403,909	354,358
Change in working capital, excluding changes relating to cash and cash equivalents:			
Trade and Other Receivables	7	622,488	1,985,115
Trade and Other Payables	10	30,523	(2,392,992)
Amount due to holding company	12	(935,544)	827,648
Net Cash (used in)/ generated from Operations		(282,533)	419,771
		121,376	774,129
Income tax paid	20	(66,091)	-
Net cash generated from operating activities		55,285	774,129
<u>Cash flows from investing activities</u>			
Purchase of Computer & Peripherals		(1,231)	-
Net Cash used in Investing activities		(1,231)	-
		54,054	774,129
<u>Cash flows from financing activities</u>			
Interest paid	17	(10,263)	(18,142)
(Decrease) in Borrowings	11	(132,315)	(754,965)
Net cash (used in) financing activities		(142,578)	(773,107)
Net (decrease) / increase in cash and cash equivalents		(88,524)	1,022
Cash and cash equivalents at beginning of the financial year		99,267	98,245
Cash and cash equivalents at the financial year end	5	10,743	99,267

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

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

1. General information

Sumeet Global Pte. Ltd (the “Company”) is a company incorporated and domiciled in Singapore. The registered office and principal place of business is situated at 101 Cecil Street, #16-12 Tong Eng Building, Singapore 069533.

The principal activities of the Company are relating to the business of general wholesale trade (including general importers and exporters) and Commission agents.

The immediate and ultimate Holding Company of the Company is Sumeet Industries Limited (incorporated in the Republic of India).

2. Significant Accounting Policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 24.

Interpretations and amendments to published standards effective in 2016

On 1st April 2016, the Company adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Company’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Company and had no material effect on the amounts reported for the current or prior financial years.

New or amended Standards and Interpretations effective for 2016 calendar year-ends

The following are **the new or amended Standards and Interpretations** that should be disclosed in the Basis of preparation note if the change in accounting policy had a material effect on the current or prior periods, or may have a material effect on future periods:

Effective for annual periods beginning on or after 1 January 2016:

1 April 2016 FRS 114 Regulatory Deferral

Amendments to:

- FRS 27 - Separate financial statements (Equity method in separate financial statements)
- FRS16 - Property plant and equipment and FRS 38 Intangible assets (Clarification of acceptable) methods depreciation and amortisation)
- FRS 16 - Property plant and equipment and FRS 41 Agriculture (Agriculture: Bearer plants)
- FRS 111 - Joint arrangements (Accounting for acquisitions of interests in joint operations)
- FRS 1 - Presentation of financial statements (Disclosure initiative)
- FRS 110 - Consolidated financial statements,
- FRS 112 - Disclosure of interests in other entities and
- FRS 28 Investments in associates and joint ventures (Investment entities: Applying the consolidation exception) (Editorial corrections in June 2016)

New or amended Standards and Interpretations effective for 2016 calendar year-ends (continued)

Annual improvements 2014

- FRS 105 - Non-current assets held for sale and discontinued operations (Methods of disposal)
- FRS 107 - Financial instruments: Disclosures (Servicing contracts and interim financial statements)
- FRS 19 - Employee benefits (Determining the discount rates for post-employment benefit obligations)

2. Significant Accounting Policies (Continued)

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Company's activities. Sales are presented, net of goods and services tax, rebates and discounts.

The Company assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Company recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Company's activities are met as follows:

(a) Sale of goods

Revenue from these sales is recognized when the Company has delivered the goods to locations specified by its customers and the customers have accepted the goods in accordance with the sales contract.

These goods are sold to certain customers with volume discount and the customers also have the right to return faulty goods. Revenue from these sales is recorded based on the contracted price less the estimated volume discount and returns at the time of sale. Past experience and projections are used to estimate the anticipated volume of sales and returns.

(b) Interest income

Interest income, including income arising from fixed deposits and other financial instruments, is recognized using the effective interest method.

(c) Commission is recognized on an accrual basis.

2.3 Government grants

Grants from the government are recognized as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.4 Property, plant and equipment

a) Measurement

(i) Plant and equipment

Plant and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Component of costs

The cost of an item of plant and equipment initially recognized 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. Cost also includes borrowing costs that are directly attributable to the acquisition.

(b) Depreciation

Depreciation of plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Computers 1 Year;

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date. The effects of any revision are recognized in profit or loss when the changes arise

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognized in profit or loss within "Other gains/losses – net". Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

2.5 Financial assets

(a) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to maturity, re-evaluates this designation at each statement of financial position date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realized within 12 months after the Statement of Financial Position date.

(ii) Loans and receivables

Bank balances
Trade and other receivables

Bank balances and trade and other receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the statement of financial position date, which are presented as non-current assets.

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the statement of financial position date which are presented as current assets.

2. Significant accounting policies (continued)

2.5 Financial assets (Continued)

(a) Classification (Continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and subsequently carried at fair value. Changes in fair values are recognised in other comprehensive income and accumulated in the fair value reserve within equity.

These financial assets are recognised on the date which the Company commits to purchase the asset. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the statement of financial position date. The Company assesses at each statement of financial position date whether there is objective evidence that these financial assets are impaired. Significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the security is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

On disposal, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(b) Recognition & Derecognition

Regular way purchases and sales of financial assets are recognized on trade date – the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognized in profit or loss. Any amount previously recognized in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Company are not derecognized until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(c) Initial measurement

Financial assets are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognized at fair value. Transaction costs for financial assets at fair value through profit or loss are recognized immediately as expenses.

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to-maturity financial assets are subsequently carried at amortized cost using the effective interest method. Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognized in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognized separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analyzed into currency translation differences on the amortized cost of the securities and other changes; the currency translation differences are recognized in profit or loss and the other changes are recognized in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognized in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(e) Impairment

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes an allowance for impairment when such evidence exists.

(i) Loans and receivables/Held-to-maturity financial assets

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortized cost had no impairment been recognized in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.5 (e) (i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognized in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortization) and the current fair value, less any impairment loss previously recognized as an expense. The impairment losses recognized as an expense on equity securities are not reversed through profit or loss.

(f) Offsetting financial instruments

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

2.6 Financial liabilities

Financial liabilities include trade payables, other amounts payable and interest-bearing loans. Financial liabilities are recognized on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognized at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the income and expenditures statement when the liabilities are derecognized as well as through the amortization process. The liabilities are derecognized when the obligation under the liability is discharged or cancelled or expired.

2.7 Financial guarantees

Financial guarantees are initially recognized at their fair values plus transaction costs in the Company's statement of financial position.

Financial guarantees are subsequently amortized to profit or loss over the period of the borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortized amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's statement of financial position.

2. Significant accounting policies (continued)

2.8 Impairment of non- financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in the income and expenditure statement if the carrying amount of an asset or its cash generating unit exceeds its revocable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing the 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 or cash-generating unit.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the revocable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized. Reversal of impairment loss is recorded in income and expenditure statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.9 Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the statement of financial position date, in which case they are presented as non-current liabilities.

(a) Borrowings

Borrowings are initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(b) Redeemable preference shares

Preference shares which are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognized as finance expenses.

2.10 Leases

(i) Lessee – Finance leases

Leases where the Company assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognized on the statement of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognized in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognized in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognized as an expense in profit or loss when incurred.

Operating lease payment

Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

Initial direct costs – lessees

Initial direct costs are the incremental costs directly attributable to negotiating and arranging a lease excluding such costs incurred by manufacturers or dealer lessors. Contingent rents are recognized as an expense in profit & loss when incurred.

2. Significant accounting policies (continued)

2.11 Income taxes

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

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the Statement of Financial Position date; and
- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the Statement of Financial Position date, to recover or settle the carrying amounts of its assets and liabilities
- (iii) except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

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

The Company accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.12 Employee Compensation

Employee benefits are recognized as an expense, unless the cost qualifies to be capitalized as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

(b) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

2. Significant accounting policies (continued)

2.13 Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in US Dollars, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the statement of financial position date are recognized in profit or loss.

However, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations are recognized in other comprehensive income and accumulated in the currency translation reserve. When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal. Foreign exchange gains and losses that relate to borrowings are presented in the income statement within “finance expense”. All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within “other losses – net”. 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.

2.14 Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, net of bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents

2.16 Trade and other receivables

Trade receivables and other receivables are classified and accounted for as loans and receivables under FRS 39 Financial Instruments: Recognition and Measurement (FRS 39). They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is recognized in the income and expenditure statement.

2.17 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities. Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

3. Share capital

<u>As at 31st MARCH 2017</u>	<u>Issued share capital</u>	
	<u>No. of ordinary shares</u>	<u>Amount US\$</u>
Beginning of the financial year	3,000,001	3,000,001
Shares issued	-	-
End of the financial year	3,000,001	3,000,001
<u>As at 31st MARCH 2016</u>	<u>No. of ordinary shares</u>	<u>Amount US\$</u>
Beginning of the financial year	3,000,001	3,000,001
Shares issued	-	-
End of the financial year	3,000,001	3,000,001

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares carry one vote per share and a right to receive dividends as and when declared by the Company. The Company is not exposed to any externally imposed capital requirements and there are no restrictions to issue shares.

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

4. Property, Plant and equipment

<u>Cost</u>	<u>Computer & peripherals US\$</u>	<u>Total US\$</u>
At 1 st April 2016	-	-
Additions	1,231	1,231
Disposal/reclassification	-	-
At 31 st March 2017	1,231	1,231
<u>Accumulated Depreciation</u>		
At 1 st April 2016	-	-
Charge for the financial year	1,231	1,231
Disposal/reclassification	-	-
At 31 st March 2017	1,231	1,231
<u>Carrying Value</u>		
At 31 st March 2017	-	-

5. Cash and cash equivalents

	<u>2017 US\$</u>	<u>2016 US\$</u>
Cash in hand	1,185	-
Cash at bank	9,558	99,267
Cash and cash equivalents per statement of cash flows	10,743	99,267

The cash & cash equivalents approximate its fair value as on the statement of financial position date.

The cash and cash equivalents are denominated in the following currencies: -

	<u>2017 US\$</u>	<u>2016 US\$</u>
Singapore Dollars	1,185	-
United States Dollars	9,558	99,267
	10,743	99,267

6. Bank fixed deposits

	<u>2017 US\$</u>	<u>2016 US\$</u>
Bank fixed deposits	1,500,000	1,500,000
	1,500,000	1,500,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

6. Bank fixed deposits (continued)

The above bank fixed deposits are pledged to banks as security against various credit facilities granted by the banks and trade creditors. The fixed deposit is denominated in United States Dollars.

The interest rate earned on the fixed deposit is 0.65 % per annum.

7. Trade and other receivables

	<u>2017</u> US\$	<u>2016</u> US\$
Trade Receivables (Note 8)	13,337,558	14,000,864
Other Receivables (Note 9)	61,190	20,374
Total trade and other receivables	<u>13,398,749</u>	<u>14,021,238</u>

Trade & other receivables approximate its fair value as on the statement of financial position date.

8. Trade receivables

The average credit period of trade receivables is 30 - 240 days.

	<u>2017</u> US\$	<u>2016</u> US\$
Trade Receivables (outside party)	13,337,558	14,000,864
Less: Allowance for impairment	-	-
As on 31st March 2017	<u>13,337,558</u>	<u>14,000,864</u>

The trade debtors are denominated in the following currencies: -

	<u>2017</u> US\$	<u>2016</u> US\$
Currencies:		
Singapore Dollars	-	-
United States Dollars	13,337,558	14,000,864
	<u>13,337,558</u>	<u>14,000,864</u>

9. Other receivables

	<u>2017</u> US\$	<u>2016</u> US\$
Accrued interest on fixed deposits	58,066	17,250
Rental deposit	3,124	3,124
	<u>61,190</u>	<u>20,374</u>

Other receivables are denominated in the following currencies: -

	<u>2017</u> US\$	<u>2016</u> US\$
Currencies:		
Singapore Dollars	3,124	3,124
United States Dollars	58,066	17,250
	<u>61,190</u>	<u>20,374</u>

10. Trade and other payables

	<u>2017</u> US\$	<u>2016</u> US\$
Trade Payables - Non-related parties	10,230,671	10,156,706
<u>Other Payables</u>		
Accruals for operating expenses	4,295	12,000
Advances from customers	-	35,737
Total trade and other payables	<u>10,234,966</u>	<u>10,204,443</u>

The credit period of trade payables is 30-180 days. Trade and Other payables approximate its fair value as on the statement of financial position date and are denominated in the following currencies:

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

10. Trade and other payables (continued)

	<u>2017</u> US\$	<u>2016</u> US\$
Singapore Dollars	4,295	12,000
United States Dollars	10,230,671	10,192,443
	<u>10,234,966</u>	<u>10,204,443</u>

11. Bank borrowings

	<u>2017</u> US\$	<u>2016</u> US\$
Bills payable – Trust Receipts (Trade Finance)	-	132,315
	<u>-</u>	<u>132,315</u>

The details of borrowings are as under:

- (i) Trust receipts, Bills payables are payable to bank within 60 days and bears interest at LIBOR plus 1.00% to 4.50% p.a.
- (ii) The bank borrowings are secured by cash collaterals in the form of fixed deposits (Note 5) US\$ 1,500,000/- , hypothecation of goods, charge over the current assets of the Company, Corporate guarantee of Sumeet Industries Limited, India for US\$ 10,000,000/-.

Bank borrowings approximate its fair value as on the statement of financial position date and are denominated in United States Dollars

12. Amount due to holding company

	<u>2017</u> US\$	<u>2016</u> US\$
Due to Holding Co. - Trade	162,529	1,098,074
	<u>162,529</u>	<u>1,098,074</u>

Amount due to Holding Company is trade in nature, payable under normal trade terms; and are denominated in United States Dollars.

13. Revenue

	<u>2017</u> US\$	<u>2016</u> US\$
Sale of goods	33,226,599	32,422,241

Revenue represents the invoiced value net of discount for sales/services rendered during the financial year and recognized at the point of raising of invoice and when risks and rewards of the ownership of goods are transferred to buyer.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership of goods have been transferred to buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with goods and the amount of revenue can be measured reliably.

Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For local sale of commodities, transfer usually occurs when the product is received at the customer's warehouse; however, for international shipments, transfer occurs upon loading of the goods on the relevant carrier.

14. Other income

	<u>2017</u> US\$	<u>2016</u> US\$
Commission received	324,331	2,825
Discount received	5	42,451
Interest received	40,816	-
	<u>365,152</u>	<u>45,276</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

15. Cost of sales

The cost of sales comprise of the following: -

	<u>2017</u> US\$	<u>2016</u> US\$
Purchase of goods	32,696,109	31,782,907
	<u>32,696,109</u>	<u>31,782,907</u>

16. Profit from operations

The profit from operations is arrived after charging following major expenses:

	<u>2017</u> US\$	<u>2016</u> US\$
Insurance expense	6,976	7,411
Commission expense	91,843	4,329
Professional charges	20,479	37,901
	<u>20,479</u>	<u>37,901</u>

17. Finance expenses

	<u>2017</u> US\$	<u>2016</u> US\$
LC opening and commission	317,690	278,341
Interest on Trust Receipt	10,263	18,142
	<u>327,953</u>	<u>296,483</u>

18. Employee compensation

	<u>2017</u> US\$	<u>2016</u> US\$
Wages and salaries	31,664	-
Employer's contribution to defined contribution plans	-	-
Other employee cost	-	-
	<u>31,664</u>	<u>-</u>

Directors' remuneration (key management personnel compensation) not recognized within staff costs are as follows:

	<u>2017</u> US\$	<u>2016</u> US\$
Salaries, bonus & allowances	-	-
Employer's contribution to defined contribution plans	-	-
Termination benefits	-	-
Other long-term benefits	-	-
	<u>-</u>	<u>-</u>

18. Deferred taxation

Movement in deferred income tax account is as follows:-

	<u>2017</u> US\$	<u>2016</u> US\$
Balance at the beginning of the year	-	-
Current year adjustments to profit & loss	-	-
Balance as at 31 st March	<u>-</u>	<u>-</u>

19. Taxation

Movement of current income tax liabilities are as follows:-

	<u>2017</u> US\$	<u>2016</u> US\$
<u>Based on profit for the financial year:-</u>		
Balance as at 1 st April	88,694	65,528
Current year tax expense	29,650	23,166
Previous year (over)/ under provision	-	-
Income tax paid	(66,091)	-
Balance as at 31 st March	<u>52,253</u>	<u>88,694</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

20. Taxation

The reconciliation of the tax expense and the product of accounting profit multiplied by the applicable rate are as follows:-

	<u>2017</u> US\$	<u>2016</u> US\$
Profit before income tax	<u>392,415</u>	<u>336,216</u>
Tax calculated at tax rate of 17%	66,710	57,157
<u>Effects of:</u>		
- expenses not deductible for tax purposes	209	-
- income not subject to tax	-	-
- Foreign tax paid	-	-
- capital allowances	(837)	-
- Tax exemption and rebates	(36,432)	(33,991)
- Prior year's over provision	-	-
- Others	-	-
Tax expense	<u>29,650</u>	<u>23,166</u>

21. Significant related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

	<u>2017</u> US\$	<u>2016</u> US\$
<u>Related party transactions:</u>		
- Sales	194,176	2,938,337
- Purchases	970,659	1,874,959
- Amount due to Holding Company (Trade)	162,529	1,098,074
- Key Management Personnel Compensation	<u>-</u>	<u>-</u>

22. Contingencies & commitments

22.1 Contingent liabilities

Contingent liabilities, of which the probability of settlement is not remote at the statement of financial position date, are as follows:

	<u>2017</u> US\$	<u>2016</u> US\$
Letter of Credits	<u>9,867,964</u>	<u>-</u>

22.2 Capital commitments

Capital expenditures contracted for at the statement of financial position date but not recognized in the financial statements, are none.

22.3 Operating lease commitments – where the Company is a lessee

The future minimum lease payables under non-cancellable operating leases contracted for at the statement of financial position date but not recognized as liabilities, are none.

23. Financial risk management

Financial risk factors

The Company's activities expose it to market risk (including currency risk, interest rate risk, etc.), credit risk and liquidity risk. The Company's overall risk management strategy seeks to minimize any adverse effects from the unpredictability of financial markets on the Company's financial performance. The management continuously monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

23.1 Market risk

(a) Currency risk

The Company has limited exposure to foreign currency risk as part of its normal business. The functional currency of the Company is in United States Dollars (USD). As such the Company's sales and purchase transacted in identical currencies are hedged naturally.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

23. Financial risk management

23.1 Market risk

(a) Currency risk

The Company's currency exposure based on the information provided to key management is as follows:

At 31 st March 2016	<u>Cash & Cash equivalents</u>	<u>Trade & Other receivables</u>	<u>Bank fixed deposits</u>	<u>Total</u>
<u>Financial assets:</u>	US\$	US\$	US\$	US\$
SGD	1,185	3,124	-	4,309
	<u>1,185</u>	<u>3,124</u>	<u>-</u>	<u>4,309</u>
		<u>Amount due to Holding Company</u>	<u>Bank borrowings</u>	<u>Total</u>
<u>Financial liabilities:</u>	<u>Trade & Other payables</u>	US\$	US\$	US\$
SGD	4,295	-	-	4,295
	<u>4,295</u>	<u>-</u>	<u>-</u>	<u>4,295</u>

Foreign currency sensitivity

If the relevant foreign currency change against USD by 10%, with all other variables including tax rate being held constant, the effects arising from the financial asset/liability position will be as follows: -

(a) Currency risk

If the foreign currency strengthens by 10% against the functional currency of the Company, statement of comprehensive income and other equity will increase/ (decrease) by:

<u>Financial assets (net of tax @ 17%):</u>	<u>2017</u>	<u>2016</u>
Profit/ (loss)	US\$ 358	US\$ 259
Other equity	-	-
	<u>358</u>	<u>259</u>
<u>Financial liabilities (net of tax @ 17%):</u>	<u>2017</u>	<u>2016</u>
Profit/ (loss)	US\$ (356)	US\$ (996)
Other equity	-	-
	<u>(356)</u>	<u>(996)</u>

If the foreign currency weakens by 10% against the functional currency of the Company, statement of comprehensive income and other equity will increase/ (decrease) by:

<u>Financial assets (net of tax @ 17%):</u>	<u>2017</u>	<u>2016</u>
Profit/ (loss)	US\$ (358)	US\$ (259)
Other equity	-	-
	<u>(358)</u>	<u>(259)</u>
<u>Financial liabilities (net of tax @ 17%):</u>	<u>2017</u>	<u>2016</u>
Profit/ (loss)	US\$ 356	US\$ 996
Other equity	-	-
	<u>356</u>	<u>996</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

23. Financial risk management (continued)

23.1 Market risk (continued)

(b) Interest rate risk

The interest rate risk exposure is mainly on financial assets and financial liabilities. These financial instruments are both at fixed rate and floating rates.

The following table analyses the breakdown of the financial assets and liabilities (excluding derivatives) by the type of interest rate:

	<u>2017</u> US\$	<u>2016</u> US\$
<u>Financial assets:</u>		
Fixed rate (0.65 % p.a.)	1,500,000	1,500,000
Floating rate	-	-
	<u>1,500,000</u>	<u>1,500,000</u>
	<u>2017</u> US\$	<u>2016</u> US\$
<u>Financial liabilities:</u>		
Fixed rate	-	-
Floating rate (LIBOR +4.5% p.a.)	-	(132,315)
	<u>-</u>	<u>(132,315)</u>

Interest rate sensitivity

The sensitivity is estimated that an increase/decrease of 100 basis point in interest rate at the reporting date would lead to an increase/reduction in the profit before tax by approximately: -

	<u>2017</u> US\$	<u>2016</u> US\$
<u>Increase of 100 basis point</u>		
<u>Financial assets, net of tax @ 17%</u>		
Fixed rate	-	-
Floating rate	-	-
	<u>-</u>	<u>-</u>
<u>Financial liabilities, net of tax @ 17%:</u>		
Fixed rate	-	-
Floating rate (LIBOR +4.5% p.a.)	-	(1,098)
	<u>-</u>	<u>(1,098)</u>

A decrease in the basis point in the interest rate would have an equal but opposite effect which is:-

	<u>2017</u> US\$	<u>2016</u> US\$
<u>Decrease of 100 basis point</u>		
<u>Financial assets, net of tax @ 17%</u>		
Fixed rate	-	-
Floating rate	-	-
	<u>-</u>	<u>-</u>
<u>Financial liabilities, net of tax @ 17%:</u>		
Fixed rate	-	-
Floating rate (LIBOR +4.5% p.a.)	-	1,098
	<u>-</u>	<u>1,098</u>

23.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The major classes of financial assets of the Company are bank deposits and trade receivables. For trade receivables, the Company adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual customer is restricted by credit limit approved by the credit controller. Customers' payment profile and credit exposure are continuously monitored by the credit controller and reported to the management and Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

23. Financial risk management (continued)

23.2 Credit risk (continued)

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

The credit risk for trade receivables based on the information provided to key management is as follows:-

	<u>2017</u> US\$	<u>2016</u> US\$
<u>By geographical areas:</u>		
India	-	-
Dubai U.A.E.	13,337,558	14,000,864
	<u>13,337,558</u>	<u>14,000,864</u>
<u>By types of customers:</u>		
Related parties	-	-
Non-related parties	13,337,558	14,000,864
	<u>13,337,558</u>	<u>14,000,864</u>

(a) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Company.

(b) The age analysis of trade receivables is as follows:-

	<u>2017</u> US\$	<u>2016</u> US\$
Past due 30-240 days	13,337,558	14,000,864
Past due more than 240 days	-	-
	<u>13,337,558</u>	<u>14,000,864</u>

The Company's top three customer sales during the financial year are as follows:-

	<u>2017</u> US\$	<u>2016</u> US\$
Top Customer 1	19,654,445	21,549,846
Top Customer 2	6,306,749	3,363,600
Top Customer 3	2,381,260	2,938,337

23.3 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions at a short notice. At the statement of financial position date, assets held by the Company for managing liquidity risk included cash and short-term deposits (Note 5 & 6).

The table below analyses non-derivative financial liabilities of the Company into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date (contractual and undiscounted cash flows) :-

	<u>Trade & Other</u> <u>payables</u>	<u>Amount due to</u> <u>Holding Company</u>	<u>Total</u>
	US\$	US\$	US\$
Maturity < 1 year	10,234,966	162,529	10,397,495
Maturity 2 - 5 years	-	-	-
	<u>10,234,966</u>	<u>162,529</u>	<u>10,397,495</u>
Variable interest rate	NIL	NIL	

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

23. Financial risk management (continued)

23.3 Liquidity risk (continued)

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) of the Company on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios and maintaining debt financing plans.

23.4 Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	<u>2017</u> US\$	<u>2016</u> US\$
Net debt	8,886,752	9,835,565
Total equity	4,459,744	4,096,979
Total capital	<u>13,346,496</u>	<u>13,932,544</u>
Gearing ratio (%)	<u>66.58%</u>	<u>70.59%</u>

The Borrowers leverage ratio is calculated as total liability of the Company divided by tangible net worth of the Company.

	<u>2017</u> US\$	<u>2016</u> US\$
Total liability	10,449,748	11,523,526
Tangible net worth	<u>4,459,744</u>	<u>4,096,979</u>
Leverage ratio	<u>2.34 times</u>	<u>2.81 times</u>

23.5 Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

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

	Level 1		Level 2		Level 3	
	<u>2017</u> US\$	<u>2016</u> US\$	<u>2017</u> US\$	<u>2016</u> US\$	<u>2017</u> US\$	<u>2016</u> US\$
Financial assets	-	-	-	-	-	-
Financial liabilities	-	-	-	-	-	-

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

23. Financial risk management (continued)

23.5 Fair value measurements (continued)

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward currency rates at the statement of financial position date. These investments are classified as Level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

The following table presents the changes in Level 3 instruments:

	Financial Assets		Financial Liabilities	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Beginning of financial year	-	-	-	-
Transfers / (purchases)	-	-	-	-
End of financial year	-	-	-	-
Total gains/(losses) for the period	-	-	-	-

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

24. Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

24.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have known significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are none.

(a) Estimated impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries, associates and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and, where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Uncertain tax positions

The Company is subject to income taxes in Singapore jurisdiction. In determining the income tax liabilities, management has estimated the amount of capital allowances and the deductibility of certain expenses (“uncertain tax positions”) at each tax jurisdiction.

The Company has some open tax assessments with the tax authority at the statement of financial position date. As management believes that the tax positions are sustainable, the Company has not recognized any additional tax liability on these uncertain tax positions.

(c) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

24. Critical accounting estimates, assumptions and judgments (continued)

24.1 Critical accounting estimates and assumptions (continued)

(c) Impairment of loans and receivables (continued)

Where there is objective evidence of impairment, management has made judgments as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

25. New or revised accounting standards and interpretations

The Company has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published¹ but are only effective for the Company's accounting periods beginning on or after 1 April 2017. However, management anticipates that the adoption of these standards, amendments and interpretations will not have a material impact on the financial statements of the Company in the period of their initial adoption.

26. Authorisation of financial statements

These financial statements of the Company as at 31st March 2017 and for the financial year then ended were authorized and approved for issuance in accordance with a resolution of the Board of Directors of **Sumeet Global Pte. Ltd.** on _____.