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# INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MRF SG PTE. LTD.

## Report on the Financial Statements

*Opinion*

We have audited the accompanying financial statements of MRF SG PTE. LTD., which comprise the statement of financial position of the Company as at 31st March 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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 Opinion*

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

*Other Information*

Management is responsible for the other information. The other information comprises the Directors' Statement [set out on pages 2 to 3].

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
MRF SG PTE. LTD.
(CONT'D)**

**Report on the Financial Statements (Cont'd)**

*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.

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 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
MRF SG PTE. LTD.
(CONT'D)**

**Report on the Financial Statements (Cont'd)**

*Auditor's Responsibilities for the Audit of the Financial Statements. (Cont'd)*

- 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.

K C Chan & Co PAC
Public Accountants and Chartered Accountants
Singapore, 02 MAY 2017

MRF SG PTE. LTD.
(Company Registration No.: 201421655R)
Statement of Comprehensive Income
For the financial year ended 31st March 2017

| | Note | 2017<br>US$ | 2016<br>US$ |
|---|---|---|---|
| Turnover | 12 | 141,783,590 | 172,101,008 |
| Other income | 13 | 6,069 | 211 |
| | | 141,789,659 | 172,101,219 |
| Purchase of traded goods | | (131,623,459) | (162,095,162) |
| Employee benefits expenses | 14 | (200,846) | (157,213) |
| Depreciation | 2 | (1,671) | (1,402) |
| Finance costs | 15 | (922,963) | (785,045) |
| Other expenses | 16 | (5,990,660) | (4,645,473) |
| **Profit before tax** | | 3,050,060 | 4,416,924 |
| Income tax expense | 17 | (333,345) | (718,106) |
| **Profit for the year, representing total comprehensive income for the year** | | 2,716,715 | 3,698,818 |

The notes on pages 11 to 34 form an integral part of these financial statements

MRF SG PTE. LTD.
(Company Registration No.: 201421655R)
Statement of Financial Position
As at 31st March 2017

| | Note | 2017 US$ | 2016 US$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 2 | 3,348 | 5,019 |
| Sundry Deposit | | 19,092 | 19,092 |
| **Total Non-Current Assets** | | 22,440 | 24,111 |
| **Current Assets** | | | |
| Trade Receivable | 3 | 44,231,599 | 62,428,330 |
| Other Receivables | 4 | 668,024 | 1,496,265 |
| Cash and Cash Equivalents | 5 | 7,338,424 | 4,135,358 |
| **Total Current Assets** | | 52,238,047 | 68,059,953 |
| **Total Assets** | | 52,260,487 | 68,084,064 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share Capital | 6 | 1,008,005 | 1,008,005 |
| Retained Earnings | | 6,947,525 | 4,230,810 |
| **Total Equity** | | 7,955,530 | 5,238,815 |
| **Current Liabilities** | | | |
| Trade Payables | 7 | 95,440 | - |
| Accruals | 8 | 186,149 | 177,456 |
| Amounts Owing to Bankers | 9 | 40,214,070 | 59,873,032 |
| Derivative | 10 | 3,475,953 | 2,014,996 |
| Provision for Taxation | 11 | 333,345 | 779,765 |
| **Total Current Liabilities** | | 44,304,957 | 62,845,249 |
| **Total Liabilities** | | 44,304,957 | 62,845,249 |
| **Total Equity and Liabilities** | | 52,260,487 | 68,084,064 |

The notes on pages 11 to 34 form an integral part of these financial statements

MRF SG PTE. LTD.
(Company Registration No.: 201421655R)
Statement of Changes in Equity
For the financial year ended 31st March 2017

| | Share Capital<br>US$ | Retained Earnings<br>US$ | Total Equity<br>US$ |
|---|---|---|---|
| Balance as at 01.04.2016 | 1,008,005 | 4,230,810 | 5,238,815 |
| Profit for the year, representing total comprehensive income for the year | - | 2,716,715 | 2,716,715 |
| Balance as at 31.03.2017 | 1,008,005 | 6,947,525 | 7,955,530 |

| | Share Capital<br>US$ | Retained Earnings<br>US$ | Total Equity<br>US$ |
|---|---|---|---|
| Balance as at 01.04.2015 | 1,008,005 | 531,992 | 1,539,997 |
| Profit for the year, representing total comprehensive income for the year | - | 3,698,818 | 3,698,818 |
| Balance as at 31.03.2016 | 1,008,005 | 4,230,810 | 5,238,815 |

MRF SG PTE. LTD.
(Company Registration Number: 201421655R)
Statement of Cash Flows
For the financial year ended 31st March 2017

| | 2017<br>US$ | 2016<br>US$ |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit, net of tax | 2,716,715 | 3,698,818 |
| Adjustments for: | | |
| Depreciation | 1,671 | 1,402 |
| Loss on foreign exchange | 1,833,728 | 1,633,821 |
| Income tax expense | 333,345 | 718,106 |
| Interest expenses | 811,848 | 584,594 |
| Operating profit before working capital changes | 5,697,307 | 6,636,741 |
| Decrease/ (increase) in receivables | 18,661,153 | (39,386,077) |
| Increase in payables | 95,440 | 6,222 |
| **Cash generated from/ (used in) operations** | 24,453,900 | (32,743,114) |
| Income tax paid | (779,765) | - |
| **Net cash generated from/ (used in) operating activities** | 23,674,135 | (32,743,114) |
| **CASH FLOWS FROM INVESTING ACTIVITY** | | |
| Purchase of property, plant and equipment | - | (440) |
| **Net cash used in investing activity** | - | (440) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from loan | 130,539,825 | 162,823,835 |
| Repayment of loan | (150,198,787) | (126,267,569) |
| Interest paid | (803,155) | (454,643) |
| **Net cash (used in)/ generated from financing activities** | (20,462,117) | 36,101,623 |
| **Net increase in cash and cash equivalents** | 3,212,018 | 3,358,069 |
| **Cash and cash equivalents at beginning of year (Note 5)** | 4,135,358 | 778,545 |
| **Effect of exchange rate in cash and cash equivalents** | (8,952) | (1,256) |
| **Cash and cash equivalents at end of year (Note 5)** | 7,338,424 | 4,135,358 |

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

## 1. Significant Accounting Policies

### (a) Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, unless otherwise stated.

**Adoption of new and revised standards**

The accounting policies adopted are consistent with those of the previous year except in the current financial year, the Company has adopted all the new and revised standards and Interpretation of FRS ("INT FRS") that are effective for annual periods beginning on or after 1st April 2016 The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company.

**Standards issued but not yet effective**

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:-

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to FRS 7 Disclosure Initiative | 1 Jan 2017 |
| Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses | 1 Jan 2017 |
| Amendments to FRS 102 Classification and Measurement of Share-Based Payment Transactions | 1 Jan 2018 |
| FRS 109 Financial Instruments | 1 Jan 2018 |
| Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture | Date to be determined |
| FRS 115 Revenue from Contracts with Customers | 1 Jan 2018 |
| Amendments to FRS 115 Clarifications to FRS 115 Revenue from Contracts with Customers | 1 Jan 2018 |
| FRS 116 *Leases* | 1 Jan 2019 |

Except for FRS 109 and FRS 115, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109 and FRS 115 are described below.

**1. Significant Accounting Policies (Cont'd)**

**(a) Basis of Preparation (Cont'd)**

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) Impairment

FRS 109 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Company expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The Company plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During 2015, the Company performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Company is in a business of wholesales trading of commodities. The Company expects the following impact upon adoption of FRS 115:-

(a) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Company recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Company defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under FRS 115, and will be required to be estimated at contract inception. FRS 115 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Company continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Company expects that application of the constraint may result in more revenue being deferred than is under current FRS.

**1. Significant Accounting Policies (Cont'd)**

**(a) Basis of Preparation (Cont'd)**

FRS 115 Revenue from Contracts with Customers (Cont'd)

(b) Right of return

Under FRS 115, an entity estimates the transaction price and recognises revenue based on the amounts to which the entity expects to be entitled through the end of the return period, and recognises such amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. the Company expects to recognise a liability for the refund obligation and an asset for the right to recover the returned goods under FRS 115.

Transition

The following practical expedients are available when applying FRS 115 retrospectively.

- For completed contracts, an entity need not restate contracts that begin and end with the same annual reporting period or are completed contracts at the beginning of the earliest period presented.
- For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods; and
- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:-
  - identifying the satisfied and unsatisfied performance obligations;
  - determining the transaction price; and
  - allocating the transaction price to the satisfied and unsatisfied performance obligations.
- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

The Company plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115 as listed above.

**1. Significant Accounting Policies (Cont'd)**

**(b) Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**(c) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

**(d) Property, Plant and Equipment**

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent to recognition, property, plant and equipment are measured at cost or revaluation, if any, less accumulated depreciation and accumulated impairment losses. Valuation is performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the property, plant and equipment at the date of statement of financial position.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the assets. The whole of the revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:-

| | |
|---|---|
| Office equipment | : 5 years |
| Computers and printers | : 5 years |

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

The residual value, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

**1. Significant Accounting Policies (Cont'd)**

**(e) Financial Instruments**

**i. Financial Assets**

**(i) Initial Recognition and Measurement**

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

**(ii) Subsequent Measurement**

The subsequent measurement of financial assets depends on their classification as follow:-

*(i) Loans and Receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

*(ii) Financial Assets at Fair Value Through Profit or Loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

**1. Significant Accounting Policies (Cont'd)**

**(e) Financial Instruments (Cont'd)**

*(iii) De-Recognition*

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

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

**ii. Financial Liabilities**

**(i) Initial Recognition and Measurement**

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

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

**(ii) Subsequent Measurement**

The measurement of financial liabilities depends on their classification as follow:-

*(i) Financial Liabilities at Fair Value Through Profit or Loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

*(ii) Other Financial Liabilities*

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

**1. Significant Accounting Policies (Cont'd)**

**(e) Financial Instruments (Cont'd)**

**ii. Financial Liabilities (Cont'd)**

*(iii) De-Recognition*

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**iii. Offsetting of 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 realise the asset and settle the liability simultaneously.

**(f) Impairment of Financial Assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

**i. Financial Assets Carried at Amortised Cost**

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**1. Significant Accounting Policies (Cont'd)**

**(f) Impairment of Financial Assets (Cont'd)**

**ii. Financial Assets Carried at Cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

**(g) Impairment of Non-financial Assets**

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

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

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

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

**(h) Borrowing Costs**

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**(i) Provision for Other Liabilities and Charges**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 1. Significant Accounting Policies (Cont'd)

### (j) Taxes

#### (i) Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group/ the Company operates and generates taxable income.

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

#### (ii) Deferred Tax

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

Deferred tax liabilities are recognised for all temporary differences, except:-

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:-

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

**1. Significant Accounting Policies (Cont'd)**

**(j) Taxes (Cont'd)**

**(ii) Deferred Tax (Cont'd)**

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

**(iii) Sales Tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:-

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

**(k) Contingencies**

A contingent liability is:-

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

b) a present obligation that arises from past events but is not recognised because:-

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

## 1. Significant Accounting Policies (Cont'd)

### (l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Sales of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

### (m) Foreign Currency

#### (i) Functional and Presentation Currency

The financial statements are presented in United State Dollar, which is also the Company's functional currency. The Company determines its own functional currency and items included in the financial statements are measured using that functional currency.

#### (ii) Transactions and Balances

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

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

### (n) Employee Benefits

#### (i) Defined Contribution Plans

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (ii) Employee Leave Entitlements

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

**1. Significant Accounting Policies (Cont'd)**

**(o) Leases**

As Lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**(p) Derivative financial instruments, including hedge accounting**

The Company holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Company formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 -125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivative financial instruments are initially recognised at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative are measured at their fair value at the end of each reporting period.

A derivative financial instrument is carried as an asset when the fair value is positive and as a liability when the fair value is negative.

Any gains or losses arising from changes in fair value are recognised immediately in the profit or loss, unless they qualify for hedging accounting.

**1. Significant Accounting Policies (Cont'd)**

**(p) Derivative financial instruments, including hedge accounting (Cont'd)**

**Fair value hedges**

Changes in the fair value of a derivative hedging instrument designated in a fair value hedge are recognised in profit or loss. The hedged item is adjusted to reflect changes in its fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

**(q) Grants**

Government grants are recognised when 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.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

**(r) Related Parties**

A related party is defined as follow:-

(a) A person or a close member of that person's family is related to the Company if that person:-

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint venture of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company itself has such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 2. Property, Plant and Equipment

| | Office equipments US$ | Computers and printers US$ | Total US$ |
|---|---|---|---|
| **Cost** | | | |
| At 01.04.2015 | 1,231 | 5,493 | 6,724 |
| Additions | 440 | - | 440 |
| Disposals | - | - | - |
| At 31.03.2016 and 01.04.2016 | 1,671 | 5,493 | 7,164 |
| Additions | - | - | - |
| Disposals | - | - | - |
| At 31.03.2017 | 1,671 | 5,493 | 7,164 |
| **Accumulated Depreciation** | | | |
| At 01.04.2015 | 103 | 640 | 743 |
| Charge for the period | 304 | 1,098 | 1,402 |
| Disposals | - | - | - |
| At 31.03.2016 and 01.04.2016 | 407 | 1,738 | 2,145 |
| Charge for the year | 421 | 1,250 | 1,671 |
| Disposals | - | - | - |
| At 31.03.2017 | 828 | 2,988 | 3,816 |
| **Net Book Value** | | | |
| At 31.03.2016 | 1,264 | 3,755 | 5,019 |
| At 31.03.2017 | 843 | 2,505 | 3,348 |

## 3. Trade Receivable

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Holding company | 44,231,599 | 62,428,330 |

The average credit period on sales of goods is 5 months (2016: 6 months). No interest is charged on the outstanding trade receivable.

## 4. Other Receivables

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Advances paid to suppliers | 444,666 | 1,496,265 |
| Claim | | |
| - Holding company | 164,304 | - |
| - Third parties | 59,054 | - |
| | 668,024 | 1,496,265 |

## 5. Cash and Cash Equivalents

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Cash at banks | 7,338,424 | 4,135,358 |

Cash at bank earns no interest.

## 6. Share Capital

| | 2017 | 2016 |
|---|---|---|
| Number of ordinary shares | 1,273,200 | 1,273,200 |
| | US$ | US$ |
| Amount | 1,008,005 | 1,008,005 |

All issued ordinary share are fully paid. There is no par value for the ordinary shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

## 7. Trade Payables

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Third parties | 95,440 | - |

Trade payables are non-interest bearing and are normally settled on 60 days (2016: Nil). No interest is charged on the trade payables.

## 8. Accruals

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Accruals | | |
| - Audit and tax fees | 19,701 | 19,257 |
| - Interest | 165,839 | 157,427 |
| - Others | 609 | 772 |
| | 186,149 | 177,456 |

## 9. Amounts Owing to Bankers

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Loan from The Bank of Tokyo-Mitsubishi UFJ, Ltd ("BOTM") | 5,365,976 | 12,907,550 |
| Loan from Citibank N.A., Singapore Branch ("Citibank") | 20,411,177 | 11,183,371 |
| Loan from DBS Bank Ltd ("DBS") | 14,436,917 | 35,782,111 |
| | 40,214,070 | 59,873,032 |

Loans from BOTM, Citibank and DBS are backed by way of letter of comfort from holding company, namely MRF Limited. The loans are repayable in full within 1 to 7 months (2016: 3 to 7 months) from the drawdown date.

Interest for loan from BOTM is chargeable at 0.40% per annum (2016: 0.40%) above the ICE USD LIBOR. During the financial year, interest charged at approximate 1.01% - 1.63% per annum (2016: 0.67% - 1.28%).

Interest for loan from Citibank is chargeable at 0.30% per annum (2016: 0.30%) above the ICE USD LIBOR. During the financial year, interest charged at approximate 0.78% - 1.63% per annum (2016: 0.64% - 1.23%).

Interest for loan from DBS is chargeable at 0.30% per annum (2016: 0.30%) above the ICE USD LIBOR. During the financial year, interest charged at approximate 0.71% - 1.68% per annum (2016:0.55% - 1.33%).

## 10. Derivative

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Contract Amount US$ | Liabilities US$ | Contract Amount US$ | Liabilities US$ |
| Forward currency contracts | 64,301,402 | 3,475,953 | 78,176,208 | 2,014,996 |

Forward currency contracts are used to hedge foreign currency risk arising from the Company's sales denominated in Indian Rupee ("INR") for which firm commitments existed at the end of the reporting period.

## 11. Provision for Taxation

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Balance at beginning of the financial year | 779,765 | 61,659 |
| Payment during the financial year | (779,765) | - |
| Transfer to the statement of comprehensive income | | |
| - Based on result of current financial year (Note 17) | 333,345 | 718,106 |
| Balance at end of the financial year | 333,345 | 779,765 |

## 12. Turnover

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Sales of goods | 141,783,590 | 172,101,008 |

## 13. Other Income

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Government grants | 753 | 211 |
| Interest income | 5,316 | - |
| | 6,069 | 211 |

## 14. Employee Benefits Expenses

| | 2017 US$ | 2016 US$ |
|---|---|---|
| CPF and other contributions | 13,910 | 10,686 |
| Staff salaries and allowances | 186,936 | 144,350 |
| Staff welfare | - | 2,177 |
| | 200,846 | 157,213 |

## 15. Finance Costs

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Loan interest | 811,848 | 584,594 |
| Bank charges | 111,115 | 200,451 |
| | 922,963 | 785,045 |

## 16. Other Expenses

This is determined after charging the following:-

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Directors' fee | 13,143 | 12,597 |
| Loss on foreign exchange | 5,845,137 | 4,504,984 |
| Rental | 66,397 | 68,884 |
| Miscellaneous expenses | 65,983 | 59,008 |
| | 5,990,660 | 4,645,473 |

## 17. Income Tax Expense

Tax expense attributable to profit is made up of:-

| | 2017 US$ | 2016 US$ |
|---|---|---|
| - Based on result of current financial year (Note 11) | 333,345 | 718,106 |

The income tax expense on the results for the financial period varies from the amount of income tax determines by applying the Singapore standard rate of income tax to profit before taxation due to the following factors: -

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Profit before tax for the financial year | 3,050,060 | 4,416,924 |
| Income tax expense on profit before tax for the financial year, at 17% (2016: 17%) | 518,510 | 750,877 |
| Adjustments: | | |
| Tax effect on non-deductible expenses | 135 | 174 |
| Tax effect on change in temporary differences | 284 | 164 |
| Tax effect resulted from concessionary rate | (159,668) | - |
| Tax effect on exempt amount | (18,702) | (18,690) |
| Tax effect on tax rebate | (7,214) | (14,419) |
| Tax expense per statement of comprehensive income | 333,345 | 718,106 |

## 18. Operating Lease Commitments

As at statement of financial position date, the Company leases office under lease agreement that is non-cancellable. Future minimum lease payments payable under non-cancellable operating leases as at 31st March are as follow:-

| | 2017 US$ | 2016 US$ |
|---|---|---|
| Payable: | | |
| - Within one year | 64,064 | 29,382 |
| - Within two to five years | 26,693 | - |
| | 90,757 | 29,382 |

## 19. (a) Related Parties Transactions

During the financial year, the Company had significant transaction with its related party which was carried out on terms agreed between the parties concerned not disclosed elsewhere in the financial statements as follow:-

| | 2017<br>US$ | 2016<br>US$ |
|---|---|---|
| Sales to holding company | 141,783,590 | 172,101,008 |

## 19. (b) Key Management Compensation

Key management's remuneration includes salaries and other emoluments computed based on the cost incurred by the Company and where the Company did not incur any costs, the value of the benefits is included. The key management's remuneration included in staff costs is as follow:-

| | 2017<br>US$ | 2016<br>US$ |
|---|---|---|
| Director's fee | 13,143 | 12,597 |

The above staffs' costs include key management personnel. These key management personnel is holding managerial position and above.

## 20. Financial Risk Management

The Company's activities expose it to credit risk, liquidity risk, capital risk and market risk (pertaining to price risk, interest rate risk and currency risk). The Company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company.

### *(i) Credit Risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company ensures that sales of products to customers with appropriate credit history and have internal mechanisms to monitor the granting of credit and management of credit exposures. The Company makes appropriate provisions for potential losses on credits extended, as applicable. The Company's maximum exposure to credit risk in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amounts of each class of financial assets recognised in the statement of financial position.

Cash and bank balances are placed with reputable local financial institutions. Therefore, credit risk arises mainly from the inability of Company's customers to make payments when due.

The age analysis of receivables is as follow:-

| | 2017<br>US$ | 2016<br>US$ |
|---|---|---|
| Less than 31 days | 6,383,877 | 5,034,367 |
| 31 – 60 days | 2,704,737 | 8,718,440 |
| 61 – 90 days | 9,413,238 | 12,435,098 |
| 91 – 180 days | 25,953,105 | 36,240,425 |
| | 44,454,957 | 62,428,330 |

**20. Financial Risk Management (Cont'd)**

***(ii) Liquidity Risk***

The Company monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Such liquidity risks are minimised by the amount of cash and bank as disclosed in Note 5 to the financial statements.

***(iii) Capital Risk***

The Company's objectives when managing capital are:

(a) To safeguard the Company's ability to continue as a going concern;
(b) To support the Company's stability and growth;
(c) To provide capital for the purpose of strengthening the Company's risk management capability; and
(d) To provide an adequate return to shareholders.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder return, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

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

The Company monitors capital using a gearing ratio, which is net debt divided by total equity.

| | 2017<br>US$ | 2016<br>US$ |
|---|---|---|
| Trade payable | 95,440 | - |
| Amounts owing to bankers | 40,214,070 | 59,873,032 |
| Derivative | 3,475,953 | 2,014,996 |
| Cash and cash equivalents (Note 5) | (7,338,424) | (4,135,358) |
| | 36,447,039 | 57,752,670 |
| Total equity | 7,955,530 | 5,238,815 |
| Gearing | 4.58 | 11.02 |

***(iv) Market Risk***

(a) Price risk

The Company has no exposure to equity price risk as it does not hold equity financial assets that are exposed to price risk.

**20. Financial Risk Management (Cont'd)**

***(iv) Market Risk (Cont'd)***

(b) Interest rate risk

Interest rate risk is the risk that changes in interest rates will have an adverse financial effect on the Company's financial conditions and / or results. The primary source of the Company's interest rate risk is its borrowing from financial institutions in Singapore. The Company ensures that it obtains borrowings at competitive interest rates.

The following table sets out the carrying amount, of the Company's financial instruments, that are exposed to interest rate risk:

| | 2017<br>US$ | 2016<br>US$ |
|---|---|---|
| Floating Rates | | |
| Amounts owing to bankers | 40,214,070 | 59,873,032 |

Interest in financial instruments subject to floating interest rates is repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Company that are not included in the above table are not subject to interest rate risks.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If the interest rates had been 1% higher / lower and all other variables were held constant, the Company's profit for the year ended 31st March 2017 would decrease / increase by an average of US$589,201 (2016: US$677,261). This is attributable to the Company's exposure to interest rates on its variable rates on the average outstanding amounts owing to bankers over 12 months.

(c) Foreign currency risk

The Company is exposed to currency risk on sales that are denominated in a currency other than the functional currency of the Company. The currencies in which these transactions primarily are denominated are the Singapore dollar (SGD) and Indian Rupee (INR).

At any point in time, the Company hedges 100% of all trade receivables denominated in a foreign currency. The Company uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts generally are designated as fair value hedges.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

**20. Financial Risk Management (Cont'd)**

***(iv) Market Risk (Cont'd)***

(c) Foreign currency risk (Cont'd)

The summary of quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

| Denominated in: | INR | SGD |
|---|---|---|
| US$ equivalents | US$ | US$ |
| **Year 2017** | | |
| Trade receivable | 44,231,599 | - |
| Sundry deposit | - | 19,092 |
| Cash and cash equivalents | - | 12,640 |
| Other payable and accruals | - | (20,340) |
| | 44,231,599 | 11,392 |
| Forward currency contracts | (41,297,032) | - |
| Net exposure | 2,934,567 | 11,392 |

| Denominated in: | INR | SGD |
|---|---|---|
| US$ equivalents | US$ | US$ |
| **Year 2016** | | |
| Trade receivable | 62,428,330 | - |
| Sundry deposit | - | 19,092 |
| Cash and cash equivalents | - | 8,208 |
| Other payable and accruals | - | (20,029) |
| | 62,428,330 | 7,271 |
| Forward currency contracts | (60,694,756) | - |
| Net exposure | 1,733,574 | 7,271 |

Sensitivity Analysis

It is estimated that a ten percentage point strengthening in foreign currency against the United States Dollar would decrease the Company's profit before tax and revenue reserves by US$294,596 (2016: US$174,085). A ten percentage point weakening in foreign currency against the United States Dollar would have an equal but opposite effect. The analysis assumed that all other variables, in particular interest risk, remain constant.

## 21. Fair Value of Financial Assets and Financial Liabilities

### (i) *Fair value hierarchy*

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

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

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

### (ii) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

| | Fair value measurements at the end of the reporting period using 2017 (US$) | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) | Significant observable inputs other than quoted prices (Level 2) | Significant unobservable inputs (Level 3) | Total |
| Liabilities measured at fair value | | | | |
| - Financial liabilities | | | | |
| Derivatives | | | | |
| Forward currency contracts | - | 3,475,953 | - | 3,475,953 |

## 21. Fair Value of Financial Assets and Financial Liabilities (Cont'd)

*(ii) Assets and liabilities measured at fair value (Cont'd)*

| | Fair value measurements at the end of the reporting period using 2016 (US$) | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) | Significant observable inputs other than quoted prices (Level 2) | Significant unobservable inputs (Level 3) | Total |
| Liabilities measured at fair value | | | | |
| - Financial liabilities | | | | |
| Derivatives | | | | |
| Forward currency contracts | - | 2,014,996 | - | 2,014,996 |

*(iii) Level 2 fair value measurements*

The following is a description of the valuation techniques and inputs used in the fair value measurement for liability that are categorised within Level 2 of the fair value hierarchy:

Derivatives
Forward currency contracts are valued based on the information provided by the bankers.

*(iv) Assets and liabilities not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The carrying amounts of trade and other receivables, sundry deposits, cash & cash equivalents, other payable and accruals, amounts owing to bankers are reasonable approximation of their fair value due to relatively short-term maturity of these assets and liabilities.

## 22. Critical Accounting Estimates, Assumptions and Judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (i) Uncertain Tax Positions

Significant judgment is involved in determining the capital allowance and deductibility of certain expenses during the estimation of the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Company's income tax liabilities at 31st March 2017 was US$333,345 (2016: US$779,765).

**22. Critical Accounting Estimates, Assumptions and Judgments (Cont'd)**

**(ii) Impairment of Loans and Receivables**

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

Where there is objective evidence of impairment, management makes judgments as to whether an impairment loss should be recorded in the statement of profit or loss. In determining this, management uses 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.

Allowances for impairment loss and bad debts are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss and bad debts requires the use of judgments and estimates. Where expectation is different from original estimate, such difference will impact the carrying value of trade and other receivables and impairment loss expenses in the period in which such estimate have been changed. As at 31st March 2017, no allowances for impairment loss and bad debts based on an assessment of the recoverability of trade and other receivables are being recognised.

**23. Holding Company**

The immediate and ultimate holding company is MRF Limited, a company incorporated in India.

**24. General**

The Company is incorporated in the Republic of Singapore with its registered office and principal office of business situated at 11 Collyer Quay, #10-15 The Arcade, Singapore 049317.

The principal activities of the Company are those of sourcing and supplying of materials.

There have been no significant changes in the nature of these activities during the financial year.

**25. Authorisation of Financial Statements**

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of MRF SG PTE. LTD. on 02 MAY 2017

MRF SG PTE. LTD.
(Company Registration No.: 201421655R)
Detail Stament of Profit or Loss
For the financial year ended 31st March 2017

| | 2017<br>US$ | 2016<br>US$ |
|---|---|---|
| **TURNOVER** | 141,783,590 | 172,101,008 |
| **OTHER INCOME** | 6,069 | 211 |
| | 141,789,659 | 172,101,219 |
| **LESS: EXPENSES** | | |
| Purchase of traded goods | 131,623,459 | 162,095,162 |
| Employee benefits expenses | | |
| CPF and other contributions | 13,910 | 10,686 |
| Staff salaries and allowances | 186,936 | 144,350 |
| Staff welfare | - | 2,177 |
| | 200,846 | 157,213 |
| Depreciation | 1,671 | 1,402 |
| Finance costs | | |
| Loan interest | 811,848 | 584,594 |
| Bank charges | 111,115 | 200,451 |
| | 922,963 | 785,045 |
| Other expenses | | |
| Auditor remuneration | 17,980 | 17,380 |
| Directors' fee | 13,143 | 12,597 |
| Insurance | 2,968 | 2,732 |
| Loss on foreign exchange | 5,845,137 | 4,504,984 |
| Miscellaneous expenses | 10,371 | 16,389 |
| Postage & courier | 5,316 | 4,722 |
| Printing & stationery | - | 13 |
| Rental | 66,397 | 68,884 |
| Stamp & registration fees | 532 | - |
| Tax fees | 3,323 | 748 |
| Telecommunication | 4,414 | 4,392 |
| Travelling expenses | 21,079 | 12,632 |
| | 5,990,660 | 4,645,473 |
| **PROFIT BEFORE TAX** | 3,050,060 | 4,416,924 |