Financial statements

AGC Networks Pte. Ltd.

For the year ended 31 March 2016

Company information

Company registration number	200921052H
Registered office	50 Raffles Place #32-01, Singapore Land Tower Singapore 048623
Directors	Pratik Bhanushali Baey Cheng Song Sanjeev Verma
Company Secretary	Ms. Kavitha Annadorai
Bankers	Union National Bank, Dubai Branch First Gulf Bank, Dubai Branch State Bank of India, Singapore Branch Westpac Bank Trust, New Zealand Branch
Independent auditors	Grant Thornton Audit LLP 39 Robinson Road #18-04 Robinson Point Singapore 068911

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Directors' Statement
for the financial year ended 31 March 2016

The directors are pleased to present their statement to the member together with the audited financial statements of AGC Networks Pte Ltd (the "Company") for the financial year ended 31 March 2016.

Opinion of the Directors
In the opinion of the directors,

(a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2016 and the financial performance, changes in equity and cash flows of the Company for the year then ended; and
(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.

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

Pratik Bhanushali
Baey Cheng Song
Sanjeev Verma

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

Directors' interest in shares or debentures
According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year was interested in shares of the Company and its related corporations

Directors' contractual benefits
Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director (other than emoluments paid or payable by a related corporation), or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

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

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

Independent auditor

The independent auditor, Grant Thornton Audit LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

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Sanjeev Verma

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Pratik Bhanushali

Dated: 19 SEP 2016

Independent auditor's report to the member of AGC Networks Pte. Ltd.

Report on the financial statements

We have audited the accompanying financial statements of AGC Networks Pte. Ltd., (the "Company"), which comprise the statement of financial position of the Company as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year ended on that date, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act (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 unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Independent auditor's report to the member of AGC Networks Pte. Ltd.

Opinion

In our opinion, the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Company as at 31 March 2016, and the results, changes in equity and cash flows of the Company for the financial year ended on that date.

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.

Other matter

The financial statements of the Company for the financial year ended 31 March 2015 were audited by another auditor who expressed a qualified opinion in their report dated 27 August 2015. The basis for the qualified opinion was a lack of documentary evidence to support management's assessment as to the recoverability of trade receivables totaling US$738,981. No provision for bad doubtful debts had been created as management were confident of recovering these amounts in due course if given time. Had a provision for bad and doubtful debts been made, profit before tax would have been US$4,002,518. The auditor's opinion on the 31 March 2015 financial statements was modified because of the possible effect of this matter on the Statement of Comprehensive Income.

Grant Thornton Audit LLP

Grant Thornton Audit LLP
Public Accountants and Chartered Accountants

Singapore, 19 September 2016

Statement of Comprehensive Income
for the financial year ended 31 March 2016

	Notes	2016 US $	2015 US $
Revenue	3	**36,189,159**	40,515,692
Cost of sales	4	**(26,959,911)**	(27,215,363)
Gross profit		**9,229,248**	13,300,329
Other income	5	**326,099**	2,672,863
Administrative and other operating expenses		**(8,693,529)**	(9,721,392)
Finance costs		**(846,938)**	(1,510,301)
Profit before taxation	6	**14,880**	4,741,499
Income tax expense:			
Current tax	8	**16,359**	(49,671)
Foreign tax	8	**(272,649)**	(1,424,518)
		(256,290)	(1,474,189)
(Loss)/profit for the year after tax		**(241,410)**	3,267,310
Other comprehensive income:			
Currency translation reserve		**(54,725)**	(68,564)
Total comprehensive (loss)/income for the year		**(296,135)**	3,198,746

This statement should be read in conjunction with the notes to the financial statements.

Statement of Financial Position
as at 31 March 2016

	Notes	2016 US $	2015 US $
ASSETS			
Non-current assets			
Property, plant and equipment	9	**1,177,824**	995,488
Investment in subsidiaries, at cost	10	**9,411,000**	9,411,000
Deposits with maturity of more than 12 months		**388,741**	414,998
		10,977,565	10,821,486
Current assets			
Inventories	11	**486,267**	258,576
Deferred cost	12	**549,380**	199,866
Trade receivables	13	**9,278,286**	14,054,368
Other receivables and deposits	14	**550,315**	286,468
Prepayments		**197,712**	215,864
Advances	15	**1,418,909**	2,231,703
Cash and bank equivalents	16	**1,545,055**	1,354,762
		14,025,924	18,601,607
Total assets		**25,003,489**	29,423,093
LIABILITIES AND EQUITY			
Non-current liabilities			
Provisions	21	**88,168**	77,524
Current liabilities			
Trade payables	17	**9,617,244**	8,940,843
Other payables and accruals	18	**2,950,295**	8,708,685
Loans and borrowings	19	**2,218,403**	1,301,275
Advances from customers	20	**758,475**	623,778
Provisions	21	**326,090**	311,209
Unearned revenue	12	**633,502**	716,956
Income tax payable		**-**	35,376
		16,504,009	20,638,122
Capital and reserves			
Share capital	22	**6,574,000**	6,574,000
Reserves		**1,837,312**	2,133,447
		8,411,312	8,707,447
Total liabilities and equity		**25,003,489**	29,423,093

This statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity
for the financial year ended 31 March 2016

	Notes	Share Capital	(Accumulated Losses)/ Retained Profits	Currency Translation Reserve	Total Equity
		US $	US $	US $	US $
Balance at 1 April 2014		6,574,000	(1,097,175)	31,876	5,508,701
Total comprehensive income/(loss) for the year		-	3,267,310	(68,564)	3,198,746
Balance at 31 March 2015		**6,574,000**	**2,170,135**	**(36,688)**	**8,707,447**
Total comprehensive (loss) for the year		**-**	**(241,410)**	**(54,725)**	**(296,135)**
Balance at 31 March 2016		**6,574,000**	**1,928,725**	**(91,413)**	**8,411,312**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows
for the financial year ended 31 March 2016

	Notes	2016 US $	2015 US $
Cash flows from operating activities			
Profit before taxation		**14,880**	4,741,499
Adjustments for:			
Depreciation of property, plant and equipment		**317,899**	848,865
Provision/(reversal) of allowance for doubtful trade debts and trade advances – Net amounts		**111,878**	(2,012,139)
Bad debts		**-**	1,033,229
Provision for unutilised leave and gratuity		**-**	25,576
Write back of amounts no longer payable		**(321,299)**	(363,965)
Interest income		**(4,800)**	(222,384)
Interest expense		**711,524**	1,270,873
Operating profit before working capital changes		**830,082**	5,321,554
Change in working capital:			
(Increase)/ decrease in			
Inventories		**(227,691)**	1,559,606
Deferred cost		**(349,514)**	979,565
Trade receivables		**4,609,479**	2,843,144
Other receivables and deposits		**103,590**	(487,125)
Prepayments		**18,152**	21,887
Advances		**812,794**	765,722
Increase/ (decrease) in:			
Trade payables		**676,401**	(3,974,948)
Long term provisions		**10,644**	-
Short term provisions		**14,881**	-
Other payables and accruals		**(5,352,257)**	6,497,766
Advances		**134,697**	(500,458)
Unearned revenue		**(83,454)**	(1,308,807)
Cash generated from operations		**1,197,804**	11,957,334
(Tax paid)/tax refund received (net)		**(743,937)**	326,682
Net cash generated from operating activities		**453,867**	12,284,016

Statement of Cash Flows (cont'd)
for the financial year ended 31 March 2016

	Notes	2016 US $	2015 US $
Cash flow from investing activities			
Investment in subsidiary		-	(210,000)
Purchase of property, plant and equipment		**(500,235)**	(54,570)
Decrease in deposits with maturity of more than 12 months		**26,257**	907,732
Interest received		**4,800**	222,384
Net cash used in investing activities		**(469,178)**	865,546
Cash flow from financing activities			
Proceeds/(repayment) from loans and borrowings (net)		**917,128**	(11,403,774)
Interest paid		**(711,524)**	(1,270,873)
Net cash generated from/(used in) financing activities		**205,604**	(12,674,647)
Net increase/(decrease) in cash and cash equivalents		**190,293**	235,487
Cash and bank equivalents at beginning of year		**1,354,762**	1,119,275
Cash and bank equivalents at end of year (Note 16)		**1,545,055**	**1,354,762**

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

1 Corporate information

The financial statements of the Company for the financial year ended 31 March 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company and domiciled in Singapore.

The registered office of the Company is located at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 and the principal places of business are located at its registered office and Emaar Business Park No. 4, Suite No. 509, Sheikh Zayed Road, Dubai, United Arab Emirates and Quigg Partners, Level 7, 36 Brandon Street, Wellington 6011 NZ.

The principal activities of the Company are to carry on the business of selling of solution integration in the enterprise communication space and value added services and software consultancy. The Company has a branch located in Dubai and New Zealand.

The immediate and ultimate holding companies are AGC Networks Limited, a company incorporated in India, and Essar Global Limited, a company incorporated in Cayman Islands, respectively.

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (USD or US $) which is the Company's functional currency other than for New Zealand branch for which the functional currency is New Zealand Dollars (NZD). All financial information has been presented in United States Dollars, unless otherwise stated.

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

Critical accounting estimates and assumptions used and areas involving a higher degree of judgement are described below.

2.1 Basis of preparation (cont'd)

Depreciation of property, plant and equipment
Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 8 years. The carrying amount of the Company's property, plant and equipment to be within 3 to 8 years. The carrying amount of the Company's property, plant and equipment at the end of the reporting period was US$1,250,357 (2015: US$995,488). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Impairment of loans and receivables
The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Company's loans and receivables at the end of the reporting period is disclosed in the notes.

Provision for warranty
A provision is recognised for expected warranty claims on certain specialised electronic components sold, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the one financial year from the end of the reporting period. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for the relevant specialised electronic components sold. The carrying amount of the Company's provision for warranty at the end of the reporting period is disclosed in the notes.

Income taxes
Significant judgement is involved in determining the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is certain during the ordinary course of business. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences 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 tax payable and deferred tax liabilities at the end of the reporting period included in note was $Nil (2015: $Nil) and $Nil (2015: $Nil) respectively.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year the Company has adopted all new and revised FRS and INT FRS that are effective for annual periods beginning on or after 1 April 2015. The adoption of these standards and interpretations did not result in substantial changes to the Company's accounting policies nor any significant impact on these financial statements.

2.3 Consolidation

Consolidated financial statements have not been prepared for the Company and its subsidiaries as the Company is a wholly-owned subsidiary of AGC Networks Limited, which prepares consolidated financial statements available for public use and its registered address is at Equinox Business Park, Tower 1 (Peninsula Techno Park), Off. Bandra Kurla Complex, LBS Marg, Kurla West, Mumbai 400070.

2.4 Subsidiaries

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiaries is accounted for at cost less impairment losses.

2.5 Functional and foreign currency

(a) Functional currency

Management has determined the currency of the primary economic environment in which the Company operates, i.e. functional currency, to be USD. Sales prices and major project cost and cost of sales services including major operating expenses are primarily influenced by fluctuations in USD.

(b) Foreign currency

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 determined.

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.

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognised in the income statement.

2.6 FRS not yet effective

As at the date of authorisation of these financial statements, the following are the new or amended FRS and INT FRS that are not yet effective but may be early adopted for the current financial year:

2.6 FRS not yet effective (cont'd)

Reference	Description	Effective date (Annual periods beginning on or after)
FRS 114	Regulatory Deferral Accounts	1 January 2016
Amendments to FRS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16, FRS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 16, FRS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to FRS 111	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 110, FRS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 1	Disclosure Initiative	1 January 2016
Amendments to FRS 110, FRS 112, FRS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to FRS 110, FRS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 1	Disclosure Initiative	1 January 2016
Amendments to FRS 110, FRS 112, FRS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Improvements to FRSs (November 2014)		
FRS 105	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
FRS 107	Financial Instruments: Disclosures	1 January 2016
FRS 19	Employee Benefits	1 January 2016
FRS 34	Interim Financial Reporting	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018

The directors are still assessing whether the adoption of the above FRSs in future periods will have a material impact on the financial statements of the Company in the period of its initial adoption.

2.7 Summary of significant accounting policies

Financial assets

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.

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.

2.7 Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

De-recognition

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

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

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 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 though 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 assets 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 incurred, the Company considers factors such as 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 the profit or loss.

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 assets recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell 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 group 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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.

2.7 Summary of significant accounting policies (cont'd)

Impairment of non-financial assets (cont'd)
In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period equivalent to the remaining lease term of the cash-generating unit to which the individual assets are allocated.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. 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.

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 has been incurred, the amount of 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.

Cash and cash equivalents
The Company considers all highly liquid investments and deposits with an original maturity of ninety days or less to be cash equivalents. Cash equivalents are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash comprises cash on hand and balances with banks.

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

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

Subsequent measurement
After the initial recognition, non-derivative 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.

2.7 Summary of significant accounting policies (cont'd)

Financial liabilities (cont'd)

De-recognition

A financial liability is derecognised 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 derecognition 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.

Borrowings

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

Borrowing costs

Borrowing costs are expensed based on the effective interest rate method.

Share capital

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operational decisions. Related parties may be individuals or corporate entities.

Leases

The determination of whether an arrangement is, or contains a lease is based on substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined on weighted average basis, and includes all costs incurred in bringing the inventories to their present location and condition.

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

2.7 Summary of significant accounting policies (cont'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. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is computed using the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Computers	3 years
Office equipment	8 years
Leasehold improvements	5 years
Furniture and fixtures	5 years
Software	3 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 life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

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 arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Provisions
<u>General</u>
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.

<u>Warranty provision</u>
Provisions for warranty-related costs is accrued based on its historical relationship of warranty claims to safes. The Company periodically reviews the adequacy of its product warranties and adjusts, if necessary, the warranty percentage and accrued warranty provision, for actual experience. The estimate of such warranty-related costs is revised annually.

2.7 Summary of significant accounting policies (cont'd)

Revenue recognition

Revenue is recognised to the extent that is probable that 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. The Company assesses its revenue arrangements to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements, the following specific recognition criteria must also be met before revenue is recognised.

Sale of goods
Revenue from sale of product is recognised when the ownership and title is transferred on invoicing based on confirmed purchase orders/sales contract which generally coincides with delivery. Sales include excise duty but exclude sales tax.

Rendering of services
Services including "installation and commissioning" related to products supplied or on a standalone basis are recognised based on proportionate completion method where revenue is recognised proportionately with the degree of completion of services. The purchase price of the products and services sold directly typically includes a warranty for a period up to one year. Maintenance income is recognised on pro-rata basis over the period of the contract as defined in the contractual terms.

Service income is recognised on performance of the services as defined in the contractual terms. In case where services are availed from the vendors to service confirmed customer orders and the Company does not carry obligation to serve, revenue is recognised at the time of raising of invoices.

Service income of a periodical nature which is not accrued during the year is disclosed as unearned revenue and related costs are accounted as deferred costs.

Interest income
Interest is recognised on a time proportion basis using effective interest rate method.

Other income
Other income is accounted on accrual basis except where receipt of income is uncertain.

Employee benefits

Employee benefit expenses are allocated by the Group and are accounted for as employee benefit expenses by the Company.

Defined benefit plans
The Company has defined benefit plans for post-employment benefits in the following forms: Gratuity for all employees which is administered through Life Insurance Corporation of India. Liability for gratuity is provided on the basis of valuation at the end of the reporting period carried out by an independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit method.

Provident fund for all employees which is administered through the Group managed trust. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and notified interest rate. The Company's contribution and such shortfall are charged to the profit or loss as and when incurred. From the current financial year onwards, retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to profit or loss for the year when the contributions are due. The Company has no obligation, other than the contribution payable to the provident fund.

2.7 Summary of significant accounting policies (cont'd)

Employee benefits (cont'd)

Other long term and short term employee benefits

Liability for compensated absences is provided on the basis of valuation at the end of the reporting period, carried out by an independent actuary. Encashment of leave benefit is payable on death whilst in service, withdrawal from service such as resignation, termination or early retirement or from retirement from service at normal retirement date. In view of increase in salary taking place, salary growth rates have been used to project the salary at the time when encashment of leave is assumed to take place. The accumulated leave may be reduced on account of in-service utilisation or encashment if permissible under the rules of leave encashment, or increase on account of leave entitlement every year. The effect of in service utilisation or encashment and entitlement will be reflected in year to year balance and the liability will be adjusted accordingly at every periodic actuarial valuation for long term benefits. Short term benefits are provided on estimated basis.

Termination benefits are recognised as an expense as and when incurred.

The actuarial gains and losses arising during the year are recognised in profit or loss without resorting to any amortisation.

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.

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.

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 taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, 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.

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.

2.7 Summary of significant accounting policies (cont'd)

Deferred tax (cont'd)

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 and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

Sales tax

Revenue, 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.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3 Revenue

	2016 US $	2015 US $
Sale of goods	**29,167,493**	26,889,946
Sale of services	**7,021,666**	13,625,746
	36,189,159	40,515,692

4 Cost of sales

	2016 US $	2015 US $
Cost of goods traded	**21,676,206**	22,202,857
Service charges	**5,198,300**	4,885,707
Installation and commissioning expenses	**85,405**	126,799
	26,959,911	27,215,363

5 Other income

	2016 US $	2015 US $
Interest income	**4,800**	222,384
Currency exchange difference	**-**	74,375
Write back of amounts no longer payable	**321,299**	363,965
Reversal of excess provision for doubtful debts and advances	**-**	2,012,139
	326,099	2,672,863

6 Profit before taxation

Profit before tax has been arrived at after (charging)/crediting:

	2016 US $	2015 US $
Employee benefits expense	**(6,545,040)**	(5,922,272)
Operating lease expenses	**(221,491)**	(207,980)
Depreciation of property, plant and equipment	**(317,899)**	(848,865)
Legal and professional charges	**(195,536)**	(283,400)
Bad debts written off	**-**	1,033,229
Provision for bad and doubtful debts:		
- Trade receivables	**(111,878)**	-
Service charges	**(5,198,300)**	(4,885,707)
Installation and commissioning expenses	**(85,405)**	(126,799)
Currency exchange difference	**(42,111)**	74,375
Finance cost:		
- Interest expense	**(711,524)**	(1,270,873)
- Bank charges	**(135,414)**	(239,428)

7 Employee benefits expense

	2016 US $	2015 US $
Salaries and bonuses	**6,423,163**	5,777,174
Other short-term benefits	**121,877**	145,098
	6,545,040	5,922,272

Employee benefits expenses are allocated by the Group based on costs incurred for the Company.

8 Income tax expense

	2016 US $	2015 US $
Current income tax:		
Foreign tax on foreign operations	(16,359)	49,671
Foreign tax paid	272,649	1,424,518
Tax expense recognised in profit or loss	256,290	1,474,189

Relationship between tax expense and accounting profit

Reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 March 2016 and 31 March 2015 are as follows:

	2016 US $	2015 US $
Profit before taxation	14,880	4,741,499
Tax at statutory rate of 17% (2015: 17%)	2,530	806,055
Tax effect on income not subject to tax	-	(364,020)
Utilisation of previously unrecognised Deferred Tax Asset	(2,530)	(442,035)
Foreign tax on foreign operations	(16,359)	49,671
Foreign tax paid	272,649	1,424,518
	256,290	1,474,189

9 Property, plant and equipment

	Leasehold improvement US $	Computers US $	Office equipment US $	Computer software US $	Total US $
Cost					
At 1 April 2014	6,162	2,312,912	1,746,616	55,200	4,120,890
Additions	-	54,570	-	-	54,570
At 31 March 2015	6,162	2,367,482	1,746,616	55,200	4,175,460
Additions	-	254,422	68,430	177,383	500,235
Disposals	-	(18,398)	(7,540)	(2,519)	(28,457)
At 31 March 2016	6,162	2,603,506	1,807,506	230,064	4,647,238
Accumulated depreciation					
At 1 April 2014	535	1,688,310	637,107	5,155	2,331,107
Charge for the year	1,264	611,741	221,841	14,019	848,865
At 31 March 2015	1,799	2,300,051	858,948	19,174	3,179,972
Charge for the year	401	100,261	192,705	24,532	317,899
Disposals	-	(18,398)	(7,540)	(2,519)	(28,457)
At 31 March 2016	2,200	2,381,914	1,044,113	41,187	3,469,414
Net book value					
At 31 March 2016	3,962	221,592	763,393	188,877	1,177,824
At 31 March 2015	4,363	67,431	887,668	36,026	995,488

10 Investment in subsidiaries, at cost

	2016 US $	2015 US $
AGC Networks Inc	**9,201,000**	9,201,000
AGC Networks Philippines Inc	**210,000**	210,000
	9,411,000	9,411,000

Name of company	Country of incorporation	Effective percentage of equity held 2016 %	2015 %	Principal activities
AGC Networks Inc	United States of America	**100**	100	Selling of solution integration in enterprise communication space and value added services and software consultancy
AGC Networks Philippines Inc	Philippines	**100**	100	Selling of solution integration in enterprise communication space and value added services and software consultancy

Impairment testing

The investment in AGC Networks Inc has been tested for impairment as there were indicators of impairment.

The recoverable amount of the investment was determined based on a value in use calculation utilising the underlying business cash flows of the US subsidiary. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent financial budgets approved by the Board of Directors covering the five-year period ending 31 March 2021, a pre-tax discount rate of 11.5% (representing weighted average cost of capital) and a long-term growth rate of 2%. The terminal growth rate used for the investment does not exceed management's expectation of the long term average growth rate of the industry and country in which the investment operates.

The recoverable amount has been estimated to be higher than the carrying amount of the investment, and no impairment is required.

The Company believes that any reasonably possible changes in the above key assumptions applied are not likely to materially cause the recoverable amount to be lower than its carrying amount.

11 Inventories

	2016 US $	2015 US $
Finished goods	**486,267**	258,576
Statement of comprehensive income		
Cost of inventories included in cost of sales	**21,676,206**	22,661,619

The aforesaid cost of sale includes reversal of write-down of inventories of US$Nil (2015: US$458,762) recognised as an expense in write-down of inventories to net realisable value.

12 Deferred Cost and unearned revenue

These are revenue and associated cost of sales which have been deferred pending meeting all revenue recognition criteria.

13 Trade receivables

	2016 US $	2015 US $
Trade receivables - others	**17,059,636**	19,521,126
Less: Allowance for doubtful debts	**(9,035,601)**	(8,811,468)
	8,024,035	10,709,658
Amounts due from other related parties (trade)	**1,254,251**	3,097,795
Less: Allowance for doubtful debts	**-**	(112,255)
	1,254,251	2,985,540
Amounts due from immediate holding company (trade)	**-**	359,170
	9,278,286	14,054,368

Trade receivables are non-interest bearing and have an average credit period of 90 days' term. They are recognised at their original invoiced amounts which represent their fair values on initial recognition. Receivable of US$5,841,283 (2015: US$7,972,944) is not past due.

At the end of the reporting period, all trade receivables are denominated in USD.

Receivables that are past due but not impaired

The Company has trade receivables amounting to US$3,437,003 (2015: US$6,081,424) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	2016 US $	2015 US $
Less than 30 days	**1,188,875**	2,105,654
31-60 days	**96,336**	-
61-90 days	**6,299**	-
91-120 days	**641,268**	669,760
More than 120 days	**1,504,225**	3,306,010
	3,437,003	6,081,424

13 Trade receivables (cont'd)

Receivables that are impaired

The Company's trade receivables that are impaired at the end of the reporting period and movement of the allowance accounts used to record the impairment is as follows:

	2016 US $	2015 US $
Movement in allowance accounts:		
At the beginning of the year	**8,923,723**	10,935,862
Charge for the year – Trade receivables/ (Reversal) for provision for doubtful debts	**111,878**	(2,012,139)
At the end of year	**9,035,601**	8,923,723

Trade receivables that are individually determined to be impaired at the end of the reporting period relates to debtors that are in significant financial liabilities and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

14 Other receivables and deposits

	2016 US $	2015 US $
Amounts due from holding company (non-trade)	**-**	161,794
Amounts due from other related parties (non-trade)	**38,715**	-
Other receivables	**63,044**	44,422
Income tax paid in advance	**441,661**	74,224
Deposits	**6,895**	6,028
	550,315	286,468

Amounts due from holding company and other related parties are unsecured, non-interest bearing and repayable on demand.

15 Advances

	2016 US $	2015 US $
Trade advances	**868,025**	1,956,732
Less: Provision for doubtful advances	**-**	(46,808)
	868,025	1,909,924
Advances to other related parties (trade)	**550,884**	321,779
	1,418,909	2,231,703

Trade advances to other related parties (trade) are unsecured, non-interest bearing and repayable on demand.

16 Cash and cash equivalents

	2016 US $	2015 US $
Cash in hand	**4,187**	1,158
Cash at banks – current accounts	**1,540,868**	1,353,604
	1,545,055	1,354,762

Cash at banks earn interest at floating rates based on daily bank deposit rates.

At the end of the reporting period, included in cash and cash equivalents are US$888,198 (2015: US $372,061) denominated in United Arab Emirates Dirham, US$1,062 denominated in Kenyan Shilling and US $348,702 (2015: US $701,339) denominated in New Zealand Dollar.

17 Trade payables

	2016 US $	2015 US $
Trade payables	**9,115,440**	6,880,100
Amounts due to other related parties*	**258,625**	1,779,463
Amounts due to immediate holding company*	**4,493**	54,575
Accrued payables	**238,686**	226,705
	9,617,244	8,940,843

*These amounts are interest free, unsecured and payable on demand and at the end of the reporting period. All trade payables are denominated in USD.

18 Other payables and accruals

	2016 US $	2015 US $
Amounts due to immediate holding company (non-trade)	**28,227**	6,558,087
Amounts due to other related parties (non-trade)	**1,339,933**	1,021,151
Withholding tax payable	**-**	84,834
Accrued liabilities	**1,582,135**	1,044,613
	2,950,295	8,708,685

Amounts due to immediate holding company and other related parties (non-trade) are non-interest bearing and repayable on demand.

19 Loans and borrowings

	2016 US $	2015 US $
Working capital demand loan	**2,218,403**	1,301,275
	2,218,403	1,301,275

19 Loans and borrowings (cont'd)

These amounts are interest bearing at LIBOR plus 450 basis points (2015: LIBOR plus 450 basis points) per annum and repayable monthly.

All loans and borrowings are secured against a stand-by letter of credit from the immediate holding company.

20 Advances from customers

	2016 US $	2015 US $
Trade advances	**720,467**	454,319
Advances from other related parties (non-trade)	**38,008**	169,459
	758,475	623,778

20 Advances from customers (cont'd)

Trade advances and advances from other related parties (non-trade) amounts are non-interest bearing and repayable on demand.

21 Provisions

	2016 US $	2015 US $
Current:		
Provision for warranty	**146,609**	146,609
Provision for unutilised leave	**179,481**	164,600
	326,090	311,209
Non-current:		
Provision for gratuity	**88,168**	77,524
	414,258	388,733

Provision for warranty is provided at 0.25% (2015: 0.25%) of product revenue based on historical trend. Movement in provision for warranty is as below:

	2016 US $	2015 US $
Movement in provision for warranty		
At beginning of the year	**146,609**	146,609
Provision during the year	**-**	-
At end of the year	**146,609**	146,609

22 Share capital

	2016	2015	2016	2015
	No. of shares		US $	US $
Issued and fully paid:				
At beginning and end of year	**114**	114	**6,574,000**	6,574,000

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and have no par value.

23 Significant related party transactions

Sale and purchase of goods and services

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

	2016 US $	2015 US $
Sales of goods to:		
Immediate holding company	**15,197**	166,927
Other related parties	**2,125,392**	4,151,425
Sale of services to:		
Other related parties	**1,571,574**	-
Purchases of goods from:		
Immediate holding company	**-**	(30,210)
Other related parties	**(870,994)**	(2,451,546)
Services received from:		
Immediate holding company	**(37,368)**	-
Other related parties	**(684,791)**	-
Expenses reimbursement received – Other related parties	**38,715**	-
Expenses reimbursement paid – immediate holding company	**(2,414,275)**	-
Employee benefit expenses allocated from:		
Immediate holding company	**(1,977,579)**	(2,163,013)
Loan repaid – immediate holding company	**6,050,000**	
Interest expense charged by:		
Immediate holding company	**(187,293)**	(522,727)
Other related parties	**(96,668)**	(64,247)
Guarantee commission charged by:		
Ultimate holding company	**(315,000)**	(470,342)
Interest income from:		
Subsidiary company	**-**	222,384

Other related parties

These are the companies which are direct and indirect subsidiaries of Essar Global Limited, the ultimate holding company, excluding fellow subsidiaries of the Company.

Fellow subsidiaries

These are subsidiaries of AGC Networks Limited, the immediate holding company. There are no transactions with fellow subsidiaries during the financial year except for the interest expenses on loan of US$96,668.

23 Significant related party transactions (cont'd)

Compensation of key management personnel
The key management of the Company comprises a director of the Company (Peter Jayaseelan) who has been paid a remuneration of US$174,426 (previous year Nil) during the financial year.

24 Operating lease commitments – as lessee

The Company leases office space under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Future minimum lease payments payable under non-cancellable operating leases at the end of the reporting period are as follows:

	2016 US $	2015 US $
Not later than one year	**125,719**	58,182
Later than one year but not later than five years	**115,057**	-

25 Fair value of financial instruments

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

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value.

Management has determined that the carrying amounts of cash and cash equivalents, trade and other receivables and deposits, trade and other payables and accruals, amounts due from/to ultimate ad immediate holding companies and other related parties and loans and borrowings based on their notional amounts, reasonably approximate fair values because these are mostly short term in nature.

Classification of financial instruments
Set out below is a comparison by category of carrying amounts of the Company's financial instruments that are carried in the financial statements:

	2016 US $	2015 US $
Loans and receivables		
Trade receivables	**9,278,286**	14,054,368
Other receivables and deposits	**550,315**	286,468
Cash and cash equivalents	**1,545,055**	1,354,762
Deposits with a maturity of more than 12months	**388,741**	414,998
	11,762,397	16,110,596
Financial liabilities at amortised cost		
Trade payables	**9,617,244**	8,940,843
Other payables	**2,950,295**	8,708,685
Loans and borrowings	**2,218,403**	1,301,275
	14,785,942	18,950,803

26 Financial instruments, financial risks and capital management

The Company is exposed to financial risks arising from its operations and the use, of financial instruments. The key financial risks include liquidity risk and credit risk. The board of directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the current and previous financial year the Company's policy that no derivatives shall be undertaken.

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

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

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades with only recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and provisioning for bad debts are done to the extent of 50% of the dues if it is overdue between 1 to 2 years and 100% if it is overdue beyond 2 year period.

Since the Company trades only with recognised and creditworthy third parties and related companies, collaterals have not been obtained.

Exposure to credit risk

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by carrying amount of each class of financial assets recognised in the balance sheet.

Credit risk concentration profile

The Company determines concentrations of credit risk by monitoring long past due trade receivables on an ongoing basis. The credit risk concentration profile of the Company's trade receivables at the end of the reporting period is as follows:

	2016		2015	
	US $	**% of total**	US $	% of total
By region:				
Singapore	**3,855,185**	**42**	7,352,339	52
Dubai	**5,349,025**	**57**	6,540,409	47
New Zealand	**74,076**	**1**	161,620	1
	9,278,286	**100**	14,054,368	100

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due not impaired are creditworthy trade receivables with good payment record with the Company. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in the notes.

26 Financial instruments, financial risks and capital management (cont'd)

Liquidity risk

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

The Company manages its liquidity risk by placing its cash and cash equivalents with reputable banks and monitors its net operating cash flow and maintains an adequate level of cash and cash equivalents.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to fluctuation in interest rates arises primarily from its interest-bearing loans with financial institutions. At the end of the reporting period, the Company had loans and borrowings of US $2,218,403 (2015: US $1,301,275) that is exposed to fluctuations in interest rates.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD interest rates had been 50 (2015: 50) basis points higher/ lower with all other variables held constant, the Company's profit before tax and equity would have been US $11,092 (2015: US $6,506) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies.

Foreign currency risk is managed as far as possible by natural hedges matching assets and liabilities in the same currencies in accordance with the risk management policy of the ultimate holding company.

No sensitivity analysis is prepared as the Company does not expect any material effect on the Company's profit or loss arising from the effects of reasonably possible changes to foreign exchange rates on financial instruments denominated in foreign currency comprising cash and cash equivalents.

Capital management

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, the Company may adjust the amount of divided payment, return capital to shareholders or issue new shares.

The board of directors monitors its capital based on net debt and total capital. Net debt calculated as borrowings plus trade and other payables less cash and bank deposits. Total capital is calculated as equity plus net debt. The gearing ratio is computed as net debt divided by total capital. The Company is not subject to any externally imposed capital requirements.

	2016 US $	2015 US $
Net debt	**12,852,146**	17,181,043
Total equity	**8,411,312**	8,707,447
	21,263,458	25,888,490
Gearing ratio	**60%**	66%

27 Comparative figures

The comparative financial information of the Company for the financial year ended 31 March 2015 was audited by another firm of auditors.