

VANSHI SHIPPING PTE. LTD.

(Registration number: 200923324H)

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

VANSHI SHIPPING PTE. LTD.

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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VANSHI SHIPPING PTE. LTD.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited financial statements of **VANSHI SHIPPING PTE. LTD.** (the "company") for the financial year ended 31 March 2016.

1. 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, with the continued financial support from its holding company, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

2. DIRECTORS

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

Pranav Sevanti Vora
Arup Roy

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the company a party to any arrangement whose object 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.

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors who held office at the end of the financial year had no interests in the share capital of the company and related corporations as recorded in the register of director's shareholdings kept by the company under Section 164 of the Singapore Companies Act, Chapter 50.

VANSHI SHIPPING PTE. LTD.

DIRECTORS' STATEMENT – cont'd

5. SHARE OPTIONS

There were no share options granted during the financial year to subscribe for unissued shares of the company.

There were no shares issued during the financial year by virtue of the exercise of an option to take up unissued shares of the company.

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

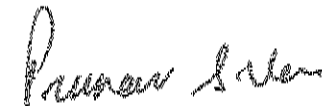
6. AUDITOR

Prudential Public Accounting Corporation has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board



Arup Roy
Director



Pranav Sevanti Vora
Director

Date: 29 April 2016



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
VANSHI SHIPPING PTE. LTD.**

Report on the financial statements

We have audited the accompanying financial statements of **VANSHI SHIPPING 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, statement of cash flows of the company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for financial statements

Management is responsible for the preparation of financial statements that give a true and fair in accordance with the provision of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from 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.

Auditors' 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 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 the 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 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.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
VANSHI SHIPPING PTE. LTD. – cont'd**

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 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 ended on that date.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements. At the end of the reporting period, despite making a net profit, the company's total current liabilities exceeded its total current assets by US\$32,178,411. This condition indicates the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as going concern. However, its immediate holding company will continue to provide financial support to the company to enable to discharge its obligations as and when they fall due.

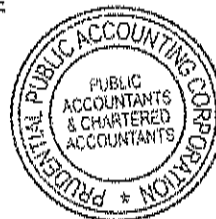
Report on other legal and regulatory requirements

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.

Prudential PAC

**PRUDENTIAL PUBLIC ACCOUNTING CORPORATION
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS
SINGAPORE**

Date: 29 April 2016



VANSHI SHIPPING PTE. LTD.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	<u>Note</u>	<u>2016</u> US\$	<u>2015</u> US\$
ASSETS			
Non-current assets:			
Motor vessel	(8)	66,227,839	69,162,588
Current assets:			
Bunkers and lubricants	(9)	162,606	224,520
Other receivables	(10)	992,459	2,120,908
Other current assets	(11)	39,566	16,963
Bank balances	(12)	184,393	48,872
Total current assets		1,379,024	2,411,263
Total assets		67,606,863	71,573,851
EQUITY AND LIABILITIES			
Equity:			
Share capital	(13)	39,352	39,352
Retained earnings		9,149,565	8,293,545
Total equity		9,188,917	8,332,897
Non-current liabilities:			
Borrowings	(14)	24,860,511	29,096,271
Current liabilities:			
Borrowings	(14)	4,235,760	4,081,286
Trade and other payables	(15)	29,321,675	30,063,397
Total current liabilities		33,557,435	34,144,683
Total liabilities		58,417,946	63,240,954
Total equity and liabilities		67,606,863	71,573,851

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

VANSHI SHIPPING PTE. LTD.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	<u>Note</u>	<u>2016</u> US\$	<u>2015</u> US\$
Revenue	(16)	7,686,000	7,865,000
Cost of services		<u>(5,571,351)</u>	<u>(5,011,802)</u>
Gross profit		2,114,649	2,853,198
Other income	(17)	23,174	81,965
Administrative expenses		(68,468)	(63,525)
Finance costs	(18)	<u>(1,213,245)</u>	<u>(1,332,008)</u>
Profit before income tax		856,110	1,339,630
Income tax expense	(19)	<u>(90)</u>	<u>-</u>
Profit for the year	(20)	856,020	1,339,630
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>856,020</u>	<u>1,339,630</u>

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

VANSHI SHIPPING PTE. LTD.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	<u>Share Capital</u> US\$	<u>Retained Earnings</u> US\$	<u>Total</u> US\$
Balance as at 1 April 2014	39,352	6,953,915	6,993,267
Total comprehensive income for the year	-	1,339,630	1,339,630
Balance as at 31 March 2015	39,352	8,293,545	8,332,897
Total comprehensive income for the year	-	856,020	856,020
Balance as at 31 March 2016	39,352	9,149,565	9,188,917

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

VANSHI SHIPPING PTE. LTD.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	<u>2016</u> US\$	<u>2015</u> US\$
Cash flows from operating activities		
Profit before income tax	856,110	1,339,630
Adjustment for:		
Depreciation of motor vessel	2,934,749	2,934,748
Interest expense	1,202,791	1,322,478
Operating profit before working capital changes	4,993,650	5,596,856
Bunkers and lubricants	61,914	(33,569)
Other receivables	1,128,449	155,872
Other current assets	(22,603)	(7,570)
Trade and other payables	(741,722)	(421,713)
Cash from operations	5,419,688	5,289,876
Income tax paid	(90)	-
Net cash from operating activities	5,419,598	5,289,876
Cash flows from financing activities:		
Repayment of borrowings	(4,081,286)	(3,975,989)
Interest paid	(1,202,791)	(1,337,566)
Net cash used in financing activities	(5,284,077)	(5,313,555)
Net increase/(decrease) in bank balances	135,521	(23,679)
Bank balances at beginning of year	48,872	72,553
Bank balances at end of year	184,393	48,872

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

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

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

1. GENERAL

a) Corporate Information

Vashi Shipping Pte. Ltd. (the "company") (Registration number: 200923324H) is a private limited company incorporated and domiciled in the Republic of Singapore with its registered office at:

80, Raffles Place #33-20
UOB Plaza
Singapore 048624

The principal activities of the company are to carry on the business as shipping agencies (freight) and ship owner.

b) Going concern assumption

Despite making a net profit of **US\$856,020** for the financial year ended 31 March 2016 and, as of that date, the company's current liabilities exceeded its current assets by **US\$32,178,411**. This factor indicates the existence of an uncertainty which may affect the validity of the going concern assumption on which the accompanying financial statements are prepared.

The immediate holding company has agreed to provide continuing financial support to the company to enable the company to meet its obligations as and when the need arises. In addition to that the immediate holding company will allow the company to defer the repayment due to the immediate holding company until such time as the company's cash flow enables such payment.

The directors are of the view that it is appropriate to prepare these financial statements on a going concern basis on the assumption that the company will generate adequate cash flows from operations and will continue to receive continuing financial support from its immediate holding company.

If the company is unable to continue in operational existence for the foreseeable future, the company may be unable discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently in the statement of financial position.

c) Authorisation of financial statements for issue

The financial statements of the company for the year ended 31 March 2016 were authorised in accordance with the directors' resolution dated 29 April 2016.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up and in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS") including related interpretations of FRS ("INT FRS") promulgated by Accounting Standards Council ("ASC").

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumption 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 revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting judgements estimates and key sources of estimation uncertainty used that are significant to the financial statements areas involving higher degree of judgement or complexity are disclosed in Note 4 to the financial statements.

2.2 Changes in Accounting Policies

(a) Adoption of new and revised FRSs and INT FRSs

In the current financial year, the Company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2015. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Company's accounting policies and has no material effect on the financial statements.

b) Standards issued but not yet effective

At the date of authorisation of financial statements, the following FRSs and INT FRSs that are relevant to the company's operations were issued but not effective are as follows:

<u>Reference</u>	<u>Description</u>	<u>Effective for Annual periods beginning on or after</u>
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 January 2016
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 January 2017
FRS 12	Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Loss	1 January 2017
FRS 16 and FRS 38	Amendments to FRS 16 and FRS 38: Classification of Acceptance Methods of Depreciation and Amortisation	1 January 2016
FRS 109	Financial Instruments - Illustrated examples - Implementation Guidance - Amendments to Guidance on other standards	1 January 2018
FRS 110, FRS 112 and FRS 28	Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidations Exception	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2018

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.2 Changes in Accounting Policies – cont'd

b) Standards issued but not yet effective – cont'd

<u>Reference</u>	<u>Description</u>	<u>Effective for Annual periods beginning on or after</u>
	Improvements to FRSs: (issued in November 2015)	
	- Related to:	
	- FRS 107: Financial Instruments: Disclosures	1 January 2016

The company expect that the adoption of the above standards, interpretations and improvements, if applicable, will have no material impact on the financial statements in the period of initial application, except as described below:

i) FRS 1 Presentation of Financial Statements: Disclosure Initiative (Amendments)

Amendments have been made to the following:

Materiality and aggregation – An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.

Statement of financial position and statement of profit and loss and other comprehensive income – The lists of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.

Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments – An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassification to profit or loss.

Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes.

Management is currently evaluating the potential impact of the application of these amendments to FRS 1 on the financial statements of the company in the period of initial application.

ii) Amendments to FRS 16 and FRS 38:

Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to FRS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to FRS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.2 Changes in Accounting Policies – cont'd

b) Standards issued but not yet effective – cont'd

ii) Amendments to FRS 16 and FRS 38:

Clarification of Acceptable Methods of Depreciation and Amortisation – cont'd

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group and the Company uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Group and the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Group do not anticipate that the application of these amendments to FRS 16 and FRS 38 will have a material impact on the Group's and the Company's financial statements.

iii) FRS 109 – Financial Instruments

FRS 109 was introduced to replace FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. This standard also provides a simplified hedge accounting model that will align more closely with the entity's risk management strategies. The standard is effective for annual period beginning on or after 1 January 2018. The Company is currently determining the impact of this standard.

iv) FRS 115 – Revenue from Contracts with Customers

FRS 115 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contract that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue Standards: FRS 18 Revenue and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition; INT FRS 115 *Agreements for the Construction of Real Estate*; INT FRS 118 *Transfers of Assets from Customers*; and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. It is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is currently determining the impact of these amendments.

2.3. Functional and Foreign Currency

(a) Functional and presentation currency

The company's functional currency is the United States dollar ("US\$"), which reflects the economic substance of the underlying events and circumstances of the company. Although the company is domiciled in Singapore, most of the company's transactions are denominated in US\$ and the selling prices for the company's products are sensitive to movements in the foreign exchange rate with the US\$.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.3. Functional and Foreign Currency – cont'd

(b) Foreign currency transactions

Transactions in foreign currencies have been translated into US\$ at the foreign exchange rates ruling at the date of transactions. Monetary assets and liabilities in foreign currencies at the end of the reporting period have been converted to US\$ at the rates of exchange approximating those ruling at the end of the reporting period.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to US\$ using the foreign exchange rate at the dates of the 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. Translation difference on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are recognised as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in reserve in equity. All realised and unrealised foreign exchange gains and losses are recognised in profit or loss.

2.4. Motor Vessel

(a) Measurement

Motor vessel is initially stated at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(b) Component of costs

The cost of an item of motor vessel includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of motor vessel if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(c) Depreciation

Depreciation is calculated on the straight-line method and to write off the cost of the motor vessel over its estimated useful lives of 25 years.

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. Useful lives, residual values and depreciation methods are reviewed annually. Accelerated depreciation is provided when the useful life of the asset become shorter than that initially expected.

(d) Subsequent expenditure

Subsequent expenditure relating to motor vessel that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in profit or loss during the financial period in which it is incurred.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.4. Motor Vessel – cont'd

(e) Disposal

On disposal of motor vessel, the difference between the net disposals proceeds and its carrying amount is taken to profit or loss.

2.5. Bunker and Lubricants

Bunkers and lubricant comprise of marine diesel oil and lubricants held for vessel operations. Consumables are stated at cost less any damages. Cost is determined on a first-in, first-out basis and comprises all costs of purchases and other related charges incurred in bringing to the present location and condition.

2.6. Impairment of Non-financial Assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.7. Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the company's activities. Amounts disclosed as revenue are net of discounts and sales related taxes.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.7. Revenue Recognition – cont'd

The company recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below:

(a) Rendering of services

Revenue and operating costs on freight operations are recognised as income and expenses respectively, by reference to the percentage of completion of the voyage as at the end of the reporting period. Unearned revenue is recognised as deferred income.

Revenue from rendering of sea freight forwarding services is recognised based on the completion of voyage.

Time charter revenue is recognised evenly over the lives of the time charter agreements and is stated net of withholding taxes and commission paid. Voyage freight is recognised evenly over the duration of each voyage.

(b) Interest income

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the company.

2.8. Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, of a qualifying asset. Capitalisation of borrowing cost commences, when the activities to prepare the asset for its intended use and expenditure and borrowing costs are being incurred. Borrowings costs are capitalised until the assets are ready for their intended use.

2.9. Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The company's liability for current tax is calculated using tax rates (and tax law) that have been enacted in countries where the company and subsidiaries operate by the end of the reporting period.

(b) Deferred tax

Deferred tax is provided, using the liability method on all 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.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.9. Income Taxes – cont'd

(b) Deferred tax – cont'd

Deferred tax liabilities are recognised for all temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at that time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences carry forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a transaction and at the time of transaction affects neither the accounting profit or loss nor taxable profit or loss.

The carrying amount of a deferred tax asset 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 to 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 the reporting period.

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

2.10. Related Parties

A related party is a person or an entity related to the company and is further defined as follows:

- (a) A person or a close member of that person's family is related to the company if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the company or of a parent of the company.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.10. Related Parties – cont'd

(b) An entity is related to the group and the company if 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;
- (ii) one entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a group of which the other entity is a member;
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); or
- (vii) a person identified in (a) (i) has significant influence over the company or is a member of the key management personnel of the company or of a parent of the company.
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the company.

Related party transactions and outstanding balances disclosed in the financial statement are in accordance with the above definition as per FRS24.

2.11. Provision

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.12. Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When changes in the probability of an outflow occur so that the outflow is probable, it will then be recognised as a provision.

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

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.13. Events after the Reporting Period

Events after the reporting period that provide additional information about the company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes the financial statements when material.

3. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

3.1. Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

3.2. Financial Assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.2. Financial Assets – cont'd

Financial assets in this financial statements are classified into loans and receivables. The classification depends on the nature and purpose of financial assets and determined at the time of initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables and bank balances are classified within loans and receivables on the statement of financial position.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in profit or loss.

(ii) Bank balances

Bank balances comprises cash at bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(b) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable are uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss statement. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

(c) Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or its transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, if the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.3. Equity Instrument and Financial Liabilities

Equity instruments issued by the company and financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of an equity instrument and a financial liability.

(a) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue cost.

(b) Financial liabilities at amortised cost

Financial liabilities are initially recognised at value plus directly attributable costs and 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. Financial liabilities at amortised cost are classified within "other payables" on the statement of financial position.

(i) Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(ii) Borrowings

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

(c) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where 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 respectively carrying amounts is recognised in the profit and loss.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

(d) 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 the recognised amounts and there is an obligation to settle on a net basis, or realise the asset and settle the liability simultaneously.

4. CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

In the application of the company's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical Judgments in Applying the Company's Accounting Policies

(a) Determination of functional currency

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

4.2 Key Sources of Estimation Uncertainties

(a) Impairment of motor vessel

The company reviews the carrying amount of the motor vessel at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of motor vessel, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, require the company to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the company's financial condition and results of operations.

The carrying amount of the motor vessel at 31 March 2016 is US\$66,227,839 (2015: US\$69,162,588).

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4. CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES – cont'd

4.2 Key Sources of Estimation Uncertainties – cont'd

(b) Depreciation of motor vessel

Motor vessel is depreciated on a straight-line basis over the estimated useful lives after taking into account the estimated residual value. The company reviews the estimated useful lives of the motor vessel regularly based on the factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information in order to determine the amount of depreciation expense to be recorded during any reporting period. Changes in the expected level of use of the assets and the company's historical experience with similar assets after taking into account anticipated technological changes could impact the economic useful lives and the residual values of the assets, therefore future depreciation charges could be revised. Any changes in the economic useful lives could impact the depreciation charges and consequently affect the company's result.

(c) 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. 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. When there is objective evidence of impairment, the amount and timing of future cash flow are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the financial assets at the end of the reporting period is disclosed in various notes to the financial statements.

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT

5.1. Financial Risk Management Policies and Objective

The company's overall risk management policy seeks to minimise potential adverse effects on the financial performance of the company. The company, however, does not have any written risk management policies and guidelines. The directors' meet periodically to analyse, formulate and monitor the following risk management of the company and believe that the financial risks associated with these financial instruments are as follows:

The company adopts a systematic approach towards risk assessment and management. Risk management is carried out in three phases, i.e. identification and assessment of risks, formulation and implementation of risk treatment, monitoring and reporting of risk profile.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT – cont'd

5.1. Financial Risk Management Policies and Objective – cont'd

a) Categories of financial assets and liabilities

The categories of financial assets and financial liabilities included in the statement of financial position and the headings in which they are included are as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
<u>Financial assets</u>		
<u>Loans and receivables:</u>		
- trade and other receivables	992,459	2,120,908
- bank balances	184,393	48,872
	<u>1,176,852</u>	<u>2,169,780</u>
<u>Financial liabilities</u>		
<u>at amortised costs:</u>		
- borrowings	29,096,271	33,177,557
- trade and other payables	29,321,675	30,063,397
	<u>58,417,946</u>	<u>63,240,954</u>

Further quantitative disclosures are included throughout these financial statements.

5.2. Financial Risk Management Policies and Objectives

The company is exposed to financial risks arising from its operations and the use of financial instruments. The company's overall risk management policy seeks to minimise potential adverse effects on the financial performance of the company. The company, however, does not have any written risk management policies and guidelines. The management meet periodically to analyse, formulate and monitor the specific risks such as credit risk, liquidity risk, market risk (including foreign currency risk, interest rate risk, and commodity price risk), and cash flow interest rate risk, and believe that the financial risks associated with these financial instruments are minimal.

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

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

(a) Credit risk

Credit risk refers to risk that counterparty will default on its contractual obligations to repay amounts owing to the company resulting in a loss to the company. The company's exposure to credit risk arises primarily from its other receivables and bank balances.

The company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The company trades only with creditworthy customers and counter parties with high credit rating to mitigate any significant credit risk. The receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT – cont'd

5.2. Financial Risk Management Policies and Objectives – cont'd

(a) Credit risk – cont'd

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

Financial assets that are neither past due nor impaired

Other receivables that are neither past due nor impaired are with creditworthy debtors with good credit record with the company. Bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings assigned by international credit-rating agencies and no history of default.

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

(b) 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 the 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 is exposed to liquidity risk. However, the holding company has agreed to provide unconditional financial support to enable it to discharge its obligations as and when they fall due.

The following table summarises the company's remaining contractual maturity for its non-derivative financial liabilities at the end of the reporting period based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the company is expected to pay.

<u>2016</u>	<u>Carrying amount</u> US\$	<u>Contractual undiscounted cash flows</u>			<u>Total</u> US\$
		<u>One year or less</u> US\$	<u>Two to five years</u> US\$	<u>Over five years</u> US\$	
<u>Financial liabilities:</u>					
Borrowings	29,096,271	5,265,200	20,993,967	6,509,959	32,769,126
Trade and other payables	29,321,675	29,321,675	-	-	29,321,675
Total undiscounted financial liabilities	58,417,946	34,586,875	20,993,674	6,509,959	62,090,801

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT – cont'd

5.2. Financial Risk Management Policies and Objectives – cont'd

(b) Liquidity risk – cont'd

<u>2015</u>	<u>Carrying amount</u> US\$	<u>Contractual undiscounted cash flows</u>			<u>Total</u> US\$
		<u>One year or less</u> US\$	<u>Two to five years</u> US\$	<u>Over five years</u> US\$	
<u>Financial liabilities:</u>					
Borrowings	33,177,557	5,263,067	21,046,514	11,722,611	38,032,192
Trade and other payables	29,563,486	29,563,486	-	-	29,563,486
Total undiscounted financial liabilities	62,741,043	34,826,553	21,046,514	11,722,611	67,595,678

(c) Market risk

Market risk exposures are measured using sensitivity analysis indicated below:

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 interest rate risk arises primarily from its borrowings.

The company has bank balances that are minimal interest-bearing and are at variable rate and therefore the exposure to cash flow interest rate risk is minimal.

The company has borrowings that are at variable rate and therefore is exposed to cash flow interest rate risk.

The company's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity management section of this note.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if US\$ interest rates had been 50 (2015: 50) basis points lower/higher with all other variables held constant, the company's profit before tax would have been **US\$262,033** (2015: US\$332,615) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, higher/lower interest income from floating rate deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Foreign currency risk

Foreign currency risk arose from the change in foreign currency exchange rates that may have an adverse effect on the company in the current reporting period and in the future years.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT – cont'd

5.2. Financial Risk Management Policies and Objectives – cont'd

(c) Market risk – cont'd

Foreign currency risk – cont'd

The company trades mainly in United States dollar. Foreign exchange exposures are naturally hedged as both trade purchases and sales are denominated in the above currencies. This natural hedge reduces significantly the financial impact of movements in the foreign exchange rates. Management believes that the foreign currency risk is manageable. The company does not use derivative financial instruments to protect against the volatility associated with currency transactions in the ordinary course of business.

No foreign currency sensitivity analysis is prepared as the majority of the financial assets and financial liabilities are denominated in United States dollar.

(d) Fair value of financial assets and financial liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained through discounted cash flow models as appropriate.

The company does not anticipate that the carrying amounts recorded at the end of the reporting period would significantly differ from the values that would eventually be received or settled. The carrying amounts of trade receivables, bank balances and trade and other payable approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

5.3. Capital Management

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

In order to maintain or adjust the capital structure, the company may adjust the dividend payment to equity holders, issue new shares, return capital to the equity holders, and obtain new borrowings or redemption of borrowings.

The company monitors capital using gearing ratio, which is net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity and net debt. The company's overall strategy remains unchanged during the year.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT – cont'd

5.3. Capital Management – cont'd

	<u>2016</u> US\$	<u>2015</u> US\$
Borrowings	29,096,271	33,177,557
Trade and other payables	29,321,675	30,063,397
Less: Bank balances	(184,393)	(48,872)
Net debt	<u>58,233,553</u>	<u>63,192,082</u>
Total equity	9,188,917	8,332,897
Total capital	<u>67,422,470</u>	<u>71,524,979</u>
Gearing ratio	<u>86%</u>	<u>88%</u>

6. HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Adani Shipping Pte. Ltd., a company incorporated in the Republic of Singapore. The ultimate holding company is Adani Enterprises Ltd, a company incorporated in India.

7. RELATED PARTY TRANSACTIONS

Related Party Relationship

FRS 24 defines a related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family or any individual referred to herein and others, who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. The definition includes Parents Company, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

Related companies in these financial statements include the members of the Ultimate Holding Company's group of companies. These are transactions and arrangements between the Company and members of the related companies and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured, repayable on demand and interest free unless stated otherwise.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

7. RELATED PARTY RELATIONSHIP – cont'd

Significant transactions with related parties are as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
Immediate holding company		
- Chartered hire income	7,686,000	7,665,000
- Brokerage and commission expense	(288,225)	-
Other related party		
- Technical management fee	(120,000)	(120,000)

8. MOTOR VESSEL

<u>2016</u>	<u>Motor vessel</u> US\$
<u>Cost</u>	
At 01.04.2015 and 31.03.2016	81,520,820
<u>Accumulated depreciation</u>	
At 01.04.2015	12,358,232
Charged for the year	2,934,749
At 31.03.2016	15,292,981
<u>Carrying amount</u>	
At 31.03.2016	66,227,839
At 31.03.2015	69,162,588
<u>2015</u>	<u>Motor vessel</u> US\$
<u>Cost</u>	
At 01.04.2014 and 31.03.2015	81,520,820
<u>Accumulated depreciation</u>	
At 01.04.2014	9,423,484
Charged for the year	2,934,748
At 31.03.2015	12,358,232
<u>Carrying amount</u>	
At 31.03.2015	69,162,588
At 31.03.2014	72,097,336

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

8. MOTOR VESSEL – cont'd

The residual value (estimated scrap value at the end of the motor vessels' useful live) of the motor vessel were estimated at US\$8,091,971 (2015: US\$8,091,971). The company has calculated the residual value of the motor vessel taking into consideration of the scrap cost. The company has applied uniformly the steel scrap value of US\$311 (2015: US\$311) per ton of its motor vessel. The company believes that the assumptions used to determine the scrap rate, through subjective in part because of the cyclical nature of future demand for scrap steel, are reasonable and appropriate.

During the year, the company carried out a review of the recoverable amount of the motor vessel. As a result, there were no allowances for impairment or revisions to the useful lives required for the motor vessel.

The motor vessel has been mortgaged to a bank as security for long-term loan availed to the company (Note 14).

9. BUNKERS AND LUBRICANTS

	<u>2016</u> US\$	<u>2015</u> US\$
Lubricants	162,606	224,520

The cost of inventories recognised as an expense and included in "cost of services" amounted to US\$145,601 (2015: US\$157,962).

The carrying value of inventories approximates their fair value.

10. OTHER RECEIVABLES

	<u>2016</u> US\$	<u>2015</u> US\$
Related parties (Note 7)	987,353	2,103,564
Others	5,106	17,344
	<u>992,459</u>	<u>2,120,908</u>

Other receivables are denominated in United States dollars, the functional currency of the company.

11. OTHER CURRENT ASSETS

	<u>2016</u> US\$	<u>2015</u> US\$
Advance	18,566	-
Deposit	3,120	-
Prepayments	17,880	16,963
	<u>39,566</u>	<u>16,963</u>

Other current assets are denominated in United States dollar.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

12. BANK BALANCES

	<u>2016</u> US\$	<u>2015</u> US\$
Cash at banks	184,393	48,872

Bank balances are denominated in the following currencies:

	<u>2016</u> US\$	<u>2015</u> US\$
Singapore dollar	98,070	23,297
United States dollar	86,323	25,575
	<u>184,393</u>	<u>48,872</u>

13. SHARE CAPITAL

	<u>2016</u> Number of ordinary shares	<u>2015</u> Number of ordinary shares	<u>2016</u> US\$	<u>2015</u> US\$
Issued and paid up				
Ordinary shares	51,000	51,000	39,352	39,352

The fully paid ordinary shares which have no par value, carry one vote per share and a right to dividends as and when declared by the company.

14. BORROWINGS

	<u>2016</u> US\$	<u>2015</u> US\$
Term loan		
Non-current liabilities	24,860,511	29,096,271
Current liabilities	4,235,760	4,081,286
	<u>29,096,271</u>	<u>33,177,557</u>

On 17 May 2012, the company obtained a term loan amounting to US\$43.75 million from Kowa Marine Pvt Inc. for repayment of a bank loan.

The borrowings are represented by two tranches: (i.e. Tranches A and Tranche B). Tranches A amounting to US\$39.37 million, bears interest at the rate of 3% (2015: 3%) over London Inter-Bank Offer Rate ("Libor") per annum and repayable by 40 instalments over a period of 8 years from June 2012. Tranches B amounting to US\$4.35 million, bears interest at the rate of 8% (2015: 8%) per annum and repayable over a period of 8 years from June 2012.

The loan is secured by the assignment of earnings and insurance policies of the company's vessel M.V. Vanshi and indemnity from the company.

Borrowings are denominated in United States dollars.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

15. TRADE AND OTHER PAYABLES

	<u>2016</u> US\$	<u>2015</u> US\$
Trade payables:		
- third parties	175,961	269,964
- related parties	2,250	200,000
	<u>178,211</u>	<u>469,964</u>
Advance receipt:		
- third party	-	499,911
Other payables		
- immediate holding company	28,930,534	28,930,534
- accruals	212,930	162,988
	<u>29,321,675</u>	<u>30,063,397</u>

Trade and other payables are non-interest bearing and are normally settled on 30 to 90 days (2015: 30 to 90 days). Trade payables are principally comprise amounts outstanding for trade purchases.

Amount due to immediate holding company and related parties are unsecured, interest free and repayable on demand.

Trade and other payables are denominated in United States dollar.

16. REVENUE

The significant category of revenue recognised during the financial year is as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
Freight hire income	7,686,000	7,665,000

17. OTHER INCOME

	<u>2016</u> US\$	<u>2015</u> US\$
Miscellaneous income	5,035	64,891
Excess Short Provision written back	-	13,797
Foreign currency exchange adjustment gain	18,139	3,277
	<u>23,174</u>	<u>81,965</u>

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

18. FINANCE COSTS

	<u>2016</u> US\$	<u>2015</u> US\$
Interest on term loan	1,202,791	1,322,748
Bank charges	10,454	9,260
	<u>1,213,245</u>	<u>1,332,008</u>

19. INCOME TAX

a) Major component of income tax expenses

The major components of income tax expense are as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
Current year provision	-	-
Underprovision in prior year	90	-
	<u>90</u>	<u>-</u>

b) Relationship between income tax expense and accounting profit

The income tax benefits is lower than the amount of income tax benefits determined by applying the Singapore Income Tax rate of 17% (2015: 17%) to profit before income tax as a result of the following differences:

	<u>2016</u> US\$	<u>2015</u> US\$
Profit before income tax	856,110	1,339,630
Income tax expense calculated at 17%	145,539	227,737
Tax effects of:		
- non-allowable items	498,907	498,907
- exempt income under Section 13(A)	(644,446)	(726,644)
- underprovision in prior year	90	-
	<u>90</u>	<u>-</u>

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

19. INCOME TAX – cont'd

c) Movement in income tax payables

The movement in income tax payables are as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
At beginning of year	-	-
Income tax paid	(90)	-
Tax expense	-	-
Underprovision in prior year	90	-
	-	-

Exemption of shipping income

Profits from operation of Singapore-flagged vessels in international waters are exempt from Singapore income tax under Singapore Income Tax Act Section 13A.

20. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	<u>2016</u> US\$	<u>2015</u> US\$
Depreciation of motor vessel	2,934,749	2,934,748

21. EVENTS AFTER THE REPORTING PERIOD

No items, transactions or events of material and unusual nature has arisen in the interval between the end of the reporting period and the date of this report which is likely to affect substantially the results of operations of the company for the succeeding financial year.

VANSHI SHIPPING PTE. LTD.

DETAILED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2016

	<u>2016</u> US\$	<u>2015</u> US\$
Revenue	7,686,000	7,665,000
Less: Cost of services		
Address Commission	288,225	287,438
Agency fees	656	1,724
Certification and survey expenses	757	10,486
Consumption of bunker	-	2,546
Consumption of lubricants	145,601	157,962
Crew wages	848,988	836,447
Depreciation of motor vessel	2,934,749	2,934,748
Manning cost	117,035	154,751
Port charges	6,574	4,675
Store charges	228,956	210,982
Technical management fee	120,000	120,000
Tonnage fee	7,080	7,773
Vessel insurance	228,516	216,148
Vessel administrative expense	59,646	42,724
Vessel repairs and maintenance	584,568	23,398
	<u>(5,571,351)</u>	<u>(5,011,802)</u>
Gross profit	2,114,649	2,653,198
Add: Other income		
Excess Short Provision written back	-	13,797
Foreign currency exchange adjustment gain	18,139	3,277
Miscellaneous income	5,035	64,891
	<u>23,174</u>	<u>81,965</u>
	2,137,823	2,735,163
Less: Expenses		
- Schedule 'A'	<u>(1,281,713)</u>	<u>(1,395,533)</u>
Profit before income tax	856,110	1,339,630

VANSHI SHIPPING PTE. LTD.

Schedule 'A'

DETAILED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2016

	<u>2016</u> US\$	<u>2015</u> US\$
Administrative expenses		
Auditor's remuneration – current year	4,500	4,500
Book and periodicals	5,297	10,212
Communication Expenses	12,680	10,154
Courier charges	871	1,165
Entertainment Expenses	8,891	3,483
Office Expenses	230	-
Legal and professional fee	3,176	4,340
Travelling expenses	32,823	29,671
Finance cost		
Interest on term-loan	1,202,791	1,322,748
Bank charges	10,454	9,260
	<u>1,281,713</u>	<u>1,395,533</u>