

VANSHI SHIPPING PTE. LTD.

(Registration number: 200923324H)

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

VANSHI SHIPPING PTE. LTD.

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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VANSHI SHIPPING PTE. LTD.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the member together with the audited financial statements of **VANSHI SHIPPING PTE. LTD.** (the "company") for the financial year ended 31 March 2018.

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 2018 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 immediate holding company, there are reasonable grounds to believe that the company will be able to pay its debts as and 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 the financial year nor at anytime 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.

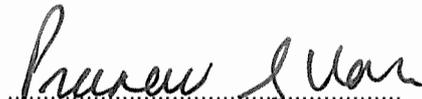
6. AUDITOR

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

On behalf of the Board of Directors



.....
Janakaraj Jeyakumar
Director



.....
Pranav Sevanti Vora
Director

Date: 9 May 2018



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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of **VANSHI SHIPPING PTE. LTD.** (the "company") which comprises the statement of financial position of the company as at 31 March 2018, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the company for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the company as at 31 March 2018 and of the financial performance, changes in equity and cash flows of the company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements. Despite making a net profit of **US\$1,369,416** during the year ended 31 March 2018 and, as of that date, the Company's current liabilities exceeded its current assets by **US\$32,235,839**. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The ability of the Company to continue depends on the immediate holding company undertaking to provide continuing financial support to enable the Company to continue as a going concern. The directors are satisfied the financial support will be available when required. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 1 and 2.

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VANSHI SHIPPING PTE. LTD. – cont'd

Other Information – cont'd

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

Auditor's Responsibilities for the Audit of the Financial Statements – cont'd

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by arrangement.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures as going concern, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal 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: 9 May 2018

VANSHI SHIPPING PTE. LTD.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	<u>Note</u>	<u>2018</u> US\$	<u>2017</u> US\$
ASSETS			
Non-current assets:			
Motor vessel	(8)	<u>60,358,341</u>	<u>63,293,090</u>
Current assets:			
Bunkers and lubricants	(9)	129,134	129,478
Other current assets	(10)	87,022	229,580
Bank balances	(11)	<u>96,643</u>	<u>66,808</u>
Total current assets		<u>312,799</u>	<u>425,866</u>
Total assets		<u>60,671,140</u>	<u>63,718,956</u>
EQUITY AND LIABILITIES			
Equity:			
Share capital	(12)	39,352	39,352
Retained earnings		<u>11,993,058</u>	<u>10,623,642</u>
Total equity		<u>12,032,410</u>	<u>10,662,994</u>
Non-current liabilities:			
Borrowings	(13)	<u>15,934,382</u>	<u>20,475,301</u>
Current liabilities:			
Borrowings	(13)	4,540,920	4,385,210
Trade and other payables	(14)	<u>28,163,428</u>	<u>28,195,451</u>
Total current liabilities		<u>32,704,348</u>	<u>32,580,661</u>
Total liabilities		<u>48,638,730</u>	<u>53,055,962</u>
Total equity and liabilities		<u>60,671,140</u>	<u>63,718,956</u>

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 2018

	<u>Note</u>	<u>2018</u> US\$	<u>2017</u> US\$
Revenue	(15)	7,665,000	7,665,000
Cost of services		<u>(5,058,360)</u>	<u>(5,047,846)</u>
Gross profit		2,606,640	2,617,154
Other income	(16)	12,279	16,729
Administrative expenses		(81,378)	(63,971)
Finance costs	(17)	<u>(1,168,014)</u>	<u>(1,095,794)</u>
Profit before income tax		1,369,527	1,474,118
Income tax expense	(18)	<u>(111)</u>	<u>(41)</u>
Profit for the year	(19)	1,369,416	1,474,077
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>1,369,416</u>	<u>1,474,077</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 2018

	<u>Share Capital</u> US\$	<u>Retained Earnings</u> US\$	<u>Total</u> US\$
Balance as at 1 April 2016	39,352	9,149,565	9,188,917
Total comprehensive income for the year	<u>-</u>	<u>1,474,077</u>	<u>1,474,077</u>
Balance as at 31 March 2017	39,352	10,623,642	10,662,994
Total comprehensive income for the year	<u>-</u>	<u>1,369,416</u>	<u>1,369,416</u>
Balance as at 31 March 2018	<u>39,352</u>	<u>11,993,058</u>	<u>12,032,410</u>

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 2018

	<u>2018</u> US\$	<u>2017</u> US\$
Cash flows from operating activities		
Profit before income tax	1,369,527	1,474,118
Adjustment for:		
Depreciation of motor vessel	2,934,749	2,934,749
Interest expense	1,157,960	1,087,453
Operating profit before working capital changes	5,462,236	5,496,320
Bunkers and lubricants	344	33,128
Other receivables	-	992,459
Other current assets	142,558	(190,014)
Trade and other payables	(32,023)	(1,126,224)
Cash from operations	5,573,115	5,205,669
Income tax paid	(111)	(41)
Net cash from operating activities	<u>5,573,004</u>	<u>5,205,628</u>
Cash flows from financing activities:		
Repayment of borrowings	(4,385,209)	(4,235,760)
Interest paid	(1,157,960)	(1,087,453)
Net cash used in financing activities	<u>(5,543,169)</u>	<u>(5,323,213)</u>
Net increase/(decrease) in bank balances	29,835	(117,585)
Bank balances at beginning of year	66,808	184,393
Bank balances at end of year	<u>96,643</u>	<u>66,808</u>

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 2018

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\$1,369,416** for the financial year ended 31 March 2018 and, as of that date, the company's current liabilities exceeded its current assets by **US\$32,235,839**. 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 financial year ended 31 March 2018 were authorised for issue by the Board of Directors on 9 May 2018.

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”).

Historical cost is generally based on the fair value of the consideration given in the exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purpose, fair value measurements are described in Note 5.

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 assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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 2017. 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.

FRS 7: Statement of Cash Flows: Disclosure Initiative (Amendments)

FRS 7 requires an entity to provide additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The company's liabilities arising from financial activities and a reconciliation between the opening and closing balances of these liabilities are set out in the respective notes to the financial statements. Consistent with the transition provisions of the amendments to the standards, the company has not disclosed comparative information for the prior period.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2 Changes in Accounting Policies – cont'd

b) Standards issued but not yet effective

At the date of authorisation of financial statements, the following FRSs that are relevant to the company 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 104	Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 109	Amendments to FRS 109: Prepayment Features with Negative Compensation	1 January 2019
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Effective date of FRS 115	1 January 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
Improvements to FRSs: (December 2016)		
	INT FRS 122: Foreign Currency Transactions and Advance Consideration	1 January 2018
	INT FRS 123: Uncertainty over Income Tax Treatments	1 January 2019
Improvements to FRSs: (March 2018)		
	- Amendments to FRS 12 Income Taxes	1 January 2019
	- Amendments to FRS 23 Borrowings Costs	1 January 2019

The directors are of the view that the adoption of the standards and interpretations above have/will have no material impact on the financial statements in the period of initial application, except as described below:

i) FRS 109: Financial Instruments

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

(a) Impairment

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

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

i) FRS 109: Financial Instruments – cont'd

(b) Transition

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

ii) FRS 115: Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the company include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The company will be assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.\

iii) FRS 116: Leases

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17 Leases, INT FRS 104 Determining whether an Arrangement contains a Lease, INT FRS 15 Operating Leases – Incentives, and INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

iv) INT FRS 122: Foreign Currency Transactions and Advance Consideration

This Interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

The Interpretations are effective from 1 January 2018.

On initial application, entities would have the option of applying the Interpretation either retrospectively or prospectively in accordance with FRS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The company is currently assessing the impact.

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\$.

(b) Foreign currency transactions

Transactions in foreign currencies have been converted into United States dollars at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies at the end of reporting period have been converted into United States dollar at the rates of exchange approximating to those ruling at that date. Non-monetary assets and liabilities measured at cost are measured using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities measured at fair value are measured at foreign exchange rates ruling at the dates the fair value was determined. All realised and unrealised exchange adjustment gains and losses are dealt with 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.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.4. Motor Vessel – cont'd

(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.

(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 end of each reporting period, the company reviews the carrying amounts of its tangible 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 the profit or loss.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.6. Impairment of Non-financial Assets – cont'd

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.

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.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.9. Income Taxes – cont'd

(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.

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.

Deferred income 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.

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 company;
- (ii) has significant influence over the company; or
- (iii) is a member of the key management personnel of the company or of a parent of the company.

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 any of the following conditions applies:
- (i) the entity and the company are members of the same group which means that each parent, subsidiary and fellow subsidiary is related to the others;
 - (ii) one entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a group of which the other entity is a member;
 - (iii) both entities are joint 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 – Related Party Disclosures.

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 to 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.

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 through the expected life of the financial instrument, or where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments other than those financial instruments "at fair value through profit or loss".

3.1. Financial Assets

Financial assets within the scope of FRS 39 are recognised on the statement of financial position when, and only when the company becomes a party to the contractual provisions of the financial instruments.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.1. Financial Assets – cont'd

(a) Classification of financial assets

The company classifies its financial assets as loans and receivables. The classification depends on the purpose of which the assets are acquired. The management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the reporting period, where allowed and appropriate.

Loans and receivables

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

(i) Other receivables

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 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.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.1. Financial Assets – cont'd

(b) Impairment of financial assets – cont'd

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.

(c) Derecognition of financial assets

A financial asset is derecognised when:

- i) the company transfer the contractual rights to receive the cash flows of the financial asset; or
- ii) the company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in a 'pass-through' arrangement; or
- iii) the company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the company's continuing involvement is the amount of the transferred asset that the company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3.2. Equity Instrument and Financial Liabilities

Equity instruments issued by the company and financial liabilities are classified accordingly to the substance of the contractual arrangements entered into and the definitions 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.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. FINANCIAL INSTRUMENTS – cont'd

3.2. Equity Instrument and Financial Liabilities – cont'd

(b) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the financial instruments. The company determines the classification of its financial liabilities at initial recognition.

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

Financial liabilities carried at amortised cost

After initial recognition, 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. Financial liabilities at amortised cost are classified within “trade and other payables” and “borrowings” on the statement of financial position.

i) Trade and other payables

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

ii) 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 income statement over the period of the loans using the effective interest method.

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the statement of financial position. Other loans due to be settled more than twelve months after the end of the reporting period are included in non-current liabilities in the statement of financial position.

(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 carrying amounts is recognised in the profit and loss.

3.3. 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.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4. CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

4.1. Critical Accounting Judgements

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.

(i) 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.

(ii) Income taxes

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

4.2. Key Sources of Estimation Uncertainties

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(i) 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 2018 is **US\$60,358,341** (2017: US\$63,293,090).

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

(ii) 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.

(iii) 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.

(iv) Impairment of other current assets

The company's management reviews other current assets on a regular basis to determine if any provision for impairment is necessary. The impairment loss on deposits, cash with masters and other receivables is established when there is evidence that the company will not be able to collect all amounts due according to the original terms of purchase of goods or to receive the services according to the original terms of contracts. Significant financial difficulties of the deposit holder, probability that the deposit holder will enter in to bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the deposits are impaired. Management reassesses the impairment of deposits suppliers at the reporting date.

(v) Provisions

Provisions are recognized in accordance with the accounting policy in Note 2.11. To determine whether it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made, the company takes into consideration factors such as the existence of legal/contractual agreements, past historical experience, external advisors' assessments and other available information.

(vi) Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on management's view of the expected outcome of the applicable contingency. To determine whether there is objective evidence of contingent liability, the management considers factors such as probability of occurrence or non-occurrence of uncertain future events and also consults a legal counsel of matters related to litigations.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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

5.1. Categories of financial assets and liabilities

The carrying amount 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>2018</u> US\$	<u>2017</u> US\$
Financial assets		
<u>Loans and receivables:</u>		
- bank balances	<u>96,643</u>	<u>66,808</u>
Financial liabilities		
<u>At amortised costs:</u>		
- borrowings	<u>20,475,302</u>	24,860,511
- trade and other payables	<u>28,163,428</u>	<u>28,195,451</u>
	<u>48,638,730</u>	<u>53,055,962</u>

Further quantitative disclosures are included throughout these financial statements.

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

a) Credit risk

Credit risk refers to risk that counterparty will default on their obligations to repay amounts owing to company resulting in a loss to the company. The carrying amount of cash and bank balances and trade and other receivables represents the company's maximum exposure to credit risk in relation to financial assets.

i) Other receivables

The company has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial losses from default. Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Cash terms, advance payments and letters of credit are required for customers of lower credit standing. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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) Credit risk – cont'd

ii) Bank balances

The company's balances as detailed in Note 11 to the financial statements are held in major financial institutions, which are regulated and located in Singapore, which the management believes are of high credit quality. The main purpose of these financial instruments is to finance the company's operations. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors' resolutions, with banking mandates, which define the permitted financial instruments, and facilities limits, all of which are approved by the Board of Directors.

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.

c) 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 immediate 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.

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 Objectives – cont'd

c) Liquidity risk – cont'd

<u>2018</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	20,475,302	5,210,010	16,951,654	-	22,161,664
Trade and other payables	28,163,428	28,163,428	-	-	28,163,428
Total undiscounted financial liabilities	<u>48,638,730</u>	<u>33,373,438</u>	<u>16,951,654</u>	<u>-</u>	<u>50,325,092</u>

<u>2017</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	24,860,511	5,210,010	20,854,313	1,307,352	27,371,675
Trade and other payables	28,195,451	28,195,451	-	-	28,195,451
Total undiscounted financial liabilities	<u>53,055,962</u>	<u>33,405,461</u>	<u>20,854,313</u>	<u>1,307,352</u>	<u>55,567,126</u>

d) 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.

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 Objectives – cont'd

(d) Market risk – cont'd

Interest rate risk – cont'd

Sensitivity analysis for interest rate risk

At the end of the reporting period, if US\$ interest rates had been 50 (2017: 50) basis points lower/higher with all other variables held constant, the company's profit before tax would have been **US\$50,522** (2017: US\$47,446) 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.

The company transacts 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.

(e) Fair value of financial assets and financial liabilities

i) Estimation of fair values

Fair value is defined as the amount at which the 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 and option pricing models as appropriate.

Management considers that the carrying amounts of other receivables, bank balances, trade and other payables and borrowings recorded at amortised cost in the financial statement approximate their fair values.

ii) Fair value measurement

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.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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

5.2. 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 and trade and other payables less bank balances. Total capital is calculated as equity and net debt. The company's overall strategy remains unchanged during the year.

	<u>2018</u> US\$	<u>2017</u> US\$
Borrowings	20,475,302	24,860,511
Trade and other payables	28,163,428	28,195,451
Less: Bank balances	<u>(96,643)</u>	<u>(66,808)</u>
Net debt	48,542,087	52,989,154
Total equity	<u>12,032,410</u>	<u>10,662,994</u>
Total capital	<u>60,574,497</u>	<u>63,652,148</u>
Gearing ratio	<u>80%</u>	<u>83%</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

Some of the company's transactions and arrangements and terms thereof are arranged with the related party and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest free and repayable on demand.

Significant transactions with related parties are as follows:

	<u>2018</u> US\$	<u>2017</u> US\$
Immediate holding company		
- Chartered hire income	7,665,000	7,665,000
- Brokerage and commission expense	<u>(287,438)</u>	<u>(287,438)</u>
Other related party		
- Technical management fee	<u>(120,000)</u>	<u>(120,000)</u>

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

8. MOTOR VESSEL

<u>2018</u>	<u>Motor vessel</u> <u>US\$</u>
<u>Cost</u>	
At 01.04.2017 and 31.03.2018	<u>81,520,820</u>
<u>Accumulated depreciation</u>	
At 01.04.2017	18,227,730
Charged for the year	<u>2,934,749</u>
At 31.03.2018	<u>21,162,479</u>
<u>Carrying amount</u>	
At 31.03.2018	<u>60,358,341</u>
At 31.03.2017	<u>63,293,090</u>
<u>2017</u>	<u>Motor vessel</u> <u>US\$</u>
<u>Cost</u>	
At 01.04.2016 and 31.03.2017	<u>81,520,820</u>
<u>Accumulated depreciation</u>	
At 01.04.2016	15,292,981
Charged for the year	<u>2,934,749</u>
At 31.03.2017	<u>18,227,730</u>
<u>Carrying amount</u>	
At 31.03.2017	<u>63,293,090</u>
At 31.03.2016	<u>66,227,839</u>

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 (2017: 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 (2017: 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 13).

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9. BUNKERS AND LUBRICANTS

	<u>2018</u> US\$	<u>2017</u> US\$
Lubricants	<u>129,134</u>	<u>129,478</u>

The cost of inventories recognised as an expense and included in “cost of services” amounted to **US\$126,027** (2017: US\$142,137).

10. OTHER CURRENT ASSETS

	<u>2018</u> US\$	<u>2017</u> US\$
Advance	63,812	206,024
Deposit	3,120	3,120
Prepayments	<u>20,090</u>	<u>20,436</u>
	<u>87,022</u>	<u>229,580</u>

11. BANK BALANCES

	<u>2018</u> US\$	<u>2017</u> US\$
Cash at banks	<u>96,643</u>	<u>66,808</u>

Bank balances are denominated in the following currencies:

	<u>2018</u> US\$	<u>2017</u> US\$
Singapore dollar	28,582	10,299
United States dollar	<u>68,061</u>	<u>56,509</u>
	<u>96,643</u>	<u>66,808</u>

12. SHARE CAPITAL

	<u>2018</u> Number of ordinary shares	<u>2017</u> Number of ordinary shares	<u>2018</u> US\$	<u>2017</u> US\$
Issued and paid up Ordinary shares	<u>51,000</u>	<u>51,000</u>	<u>39,352</u>	<u>39,352</u>

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.

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

13. BORROWINGS

	<u>2018</u> US\$	<u>2017</u> US\$
Term loan		
Non-current liabilities	15,934,382	20,475,301
Current liabilities	<u>4,540,920</u>	<u>4,385,210</u>
	<u>20,475,302</u>	<u>24,860,511</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% (2017: 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% (2017: 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.

14. TRADE AND OTHER PAYABLES

	<u>2018</u> US\$	<u>2017</u> US\$
Trade payables:		
- third parties	174,720	276,768
- related parties	<u>27,819,558</u>	<u>1,411,029</u>
	27,994,278	1,687,797
Other payables		
- immediate holding company	-	26,455,680
- accruals	<u>169,150</u>	<u>51,974</u>
	<u>28,163,428</u>	<u>28,195,451</u>

Trade and other payables are non-interest bearing and are normally settled on 30 to 90 days (2017: 30 to 90 days). Trade payables principally comprise amounts outstanding for trade purchases.

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

15. REVENUE

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

	<u>2018</u> US\$	<u>2017</u> US\$
Freight hire income	<u>7,665,000</u>	<u>7,665,000</u>

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

16. **OTHER INCOME**

	<u>2018</u>	<u>2017</u>
	US\$	US\$
Miscellaneous income	12,279	16,729

17. **FINANCE COSTS**

	<u>2018</u>	<u>2017</u>
	US\$	US\$
Interest on term loan	1,157,960	1,087,453
Bank charges	10,054	8,341
	1,168,014	1,095,794

18. **INCOME TAX**

a) Major component of income tax expenses

The major components of income tax expense are as follows:

	<u>2018</u>	<u>2017</u>
	US\$	US\$
Current year provision	-	-
Underprovision in prior year	111	41
	111	41

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% (2017: 17%) to profit before income tax as a result of the following differences:

	<u>2018</u>	<u>2017</u>
	US\$	US\$
Profit before income tax	1,369,527	1,474,118
Income tax expense calculated at 17%	232,820	250,600
Tax effects of:		
- non-allowable items	498,907	498,907
- exempt income under Section 13(A)	(731,727)	(749,507)
- underprovision in prior year	111	41
	111	41

VANSHI SHIPPING PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

18. INCOME TAX – cont'd

c) Movement in income tax payables

The movement in income tax payables are as follows:

	<u>2018</u> US\$	<u>2017</u> US\$
At beginning of year	-	-
Income tax paid	(111)	(41)
Underprovision in prior year	111	41
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

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.

19. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	<u>2018</u> US\$	<u>2017</u> US\$
Depreciation of motor vessel	<u>2,934,749</u>	<u>2,934,749</u>

20. EVENTS AFTER THE REPORTING PERIOD

No items, transactions or events of material and unusual nature have arisen between the end of the reporting period and the date of authorisation for issue of the financial statements which are 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 2018

	<u>2018</u> US\$	<u>2017</u> US\$
Revenue	7,665,000	7,665,000
Less: Cost of services		
Address Commission	287,438	287,438
Agency fees	-	300
Certification and survey expenses	50,398	7,927
Consumption of stores and spares	226,421	-
Consumption of lubricants	126,027	142,137
Crew wages	858,284	850,833
Depreciation of motor vessel	2,934,749	2,934,749
Manning cost	163,854	149,355
Store charges	-	252,501
Technical management fee	120,000	120,000
Vessel insurance	240,343	231,049
Vessel administrative expense	355	41,690
Vessel repairs and maintenance	50,491	29,867
	<u>(5,058,360)</u>	<u>(5,047,846)</u>
Gross profit	2,606,640	2,617,154
Add: Other income		
Miscellaneous income	12,279	16,729
	2,618,919	2,633,883
Less: Expenses		
- Schedule 'A'	<u>(1,249,392)</u>	<u>(1,159,765)</u>
Profit before income tax	<u>1,369,527</u>	<u>1,474,118</u>

This schedule does not form part of the statutory financial statements.

VANSHI SHIPPING PTE. LTD.

Schedule 'A'

DETAILED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2018

	<u>2018</u> US\$	<u>2017</u> US\$
Administrative expenses		
Auditor's remuneration – current year	5,000	5,000
Book and periodicals	14,685	10,879
Business development expense	5,427	-
Communication Expenses	17,394	11,632
Courier charges	389	717
Entertainment Expenses	-	1,293
Foreign currency exchange adjustment loss	11,596	6,162
Office Expenses	-	235
Legal and professional fee	3,070	3,878
Travelling expenses	23,817	24,175
Finance cost		
Interest on term-loan	1,157,960	1,087,453
Bank charges	10,054	8,341
	<u>1,249,392</u>	<u>1,159,765</u>

This schedule does not form part of the statutory financial statements.