Vega Industries (Middle East) – F.Z.C
Ajman Free Zone
Ajman

Financial Statements
31 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VEGA INDUSTRIES (MIDDLE EAST) – F.Z.C

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Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Vega Industries (Middle East) – F.Z.C, Ajman Free Zone, Ajman ("the Company"), which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in shareholders' funds and statement of cash flows for the year then ended, and notes to the financial statements, including the significant accounting policies set out in pages 3 to 19.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VEGA INDUSTRIES (MIDDLE EAST) – F.Z.C (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

We communicate with those charged with governance 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.

Moore Stephens

Farad K. Lakdawala
Registration No: 341

Dubai
30 April 2018

Statement of comprehensive income

(stated in USD)

	Note	2018	2017
Income			
Sales	3.3 a)	**266,971,366**	230,295,523
Cost of sales		**(240,739,281)**	(210,817,888)
Gross profit		**26,232,085**	19,477,635
Other income	4	**3,490,775**	3,979,715
Change in the fair value of investments designated at fair value through profit or loss	9	**(64,885)**	(1,925)
		29,657,975	23,455,425
Expenses			
General and administration	5	**4,522,303**	3,731,549
Selling and distribution	6	**14,043,532**	10,615,112
Depreciation	7	**12,782**	16,748
		18,578,617	14,363,409
Profit and total comprehensive income for the year		**11,079,358**	9,092,016

The attached notes 1 to 19 form part of these financial statements.

Statement of financial position

(stated in USD)

	Note	2018	2017
Assets			
Non-current assets			
Furniture and equipment	7	**23,661**	27,399
Investment in subsidiaries	8	**938,389**	832,389
Total non-current assets		**962,050**	859,788
Current assets			
Investments at fair value through profit or loss	9	**9,115,315**	5,180,200
Inventories	10	**12,418,466**	16,079,762
Accounts and other receivables	11	**87,098,670**	71,468,171
Bank and cash balances	12	**15,954,413**	29,122,790
Total current assets		**124,586,864**	121,850,923
Total assets		**125,548,914**	122,710,711
Shareholders' funds and liabilities			
Shareholders' funds			
Share capital	13	**325,000**	325,000
Retained earnings		**31,738,810**	38,306,952
Total shareholders' funds		**32,063,810**	38,631,952
Liabilities			
Non-current liabilities			
Employees' terminal benefits	14	**190,769**	179,761
Total non-current liabilities		**190,769**	179,761
Current liabilities			
Accounts and other payables	15	**93,294,335**	83,898,998
Total current liabilities		**93,294,335**	83,898,998
Total liabilities		**93,485,104**	84,078,759
Total shareholders' funds and liabilities		**125,548,914**	122,710,711

The attached notes 1 to 19 form part of these financial statements.

Director
30 April 2018

Statement of changes in shareholders' funds

(stated in USD)

	Share capital	Retained earnings	Total
Balance at 1 April 2017	**325,000**	**38,306,952**	**38,631,952**
Total comprehensive income for the year	--	**11,079,358**	**11,079,358**
Dividend paid	--	**(17,647,500)**	**(17,647,500)**
Balance at 31 March 2018	**325,000**	**31,738,810**	**32,063,810**

	Share capital	Retained earnings	Total
Balance at 1 April 2016	325,000	34,869,936	35,194,936
Total comprehensive income for the year	--	9,092,016	9,092,016
Dividend paid	--	(5,655,000)	(5,655,000)
Balance at 31 March 2017	325,000	38,306,952	38,631,952

The attached notes 1 to 19 form part of these financial statements.

Statement of cash flows

(stated in USD)

	Note	2018	2017
Cash flows from operating activities			
Total comprehensive income for the year		**11,079,358**	9,092,016
Adjustments for:			
Depreciation	7	**12,782**	16,748
Interest on investments at fair value through profit or loss	4	**(367,009)**	(249,253)
Changes in the fair value of investments designated at fair value through profit or loss	9	**64,885**	1,925
Provision for employees' terminal benefits	14	**21,137**	19,686
Loss on disposal of furniture and equipment		**1,707**	--
Cash flows from operations before working capital changes		**10,812,860**	8,881,122
(Decrease/Increase) in inventories		**3,661,296**	(7,345,075)
(Increase) in accounts and other receivables		**(15,630,499)**	(6,549,030)
Increase in accounts and other payables		**9,395,337**	33,747,518
Employees' terminal benefits paid	14	**(10,129)**	(11,235)
Decrease in margin money deposits		**268,912**	116,781
Net cash from operating activities		**8,497,777**	28,840,081
Cash flows from investing activities			
Purchase of furniture and equipment	7	**(10,751)**	(11,246)
Proceeds from disposal of investments designated at fair value through profit or loss	9	**1,000,000**	565,000
Increase in investment in subsidiaries		**(106,000)**	(160,053)
Interest on investments at fair value through profit or loss	4	**367,009**	249,253
Increase in investments designated at fair value through profit or loss	9	**(5,000,000)**	--
Net cash (used in)/from investing activities		**(3,749,742)**	642,954
Cash flows from financing activities			
(Decrease) in bank borrowings		--	(2,147,957)
Dividend paid		**(17,647,500)**	(5,655,000)
Net cash (used in) financing activities		**(17,647,500)**	(7,802,957)
(Decrease) / increase in cash and cash equivalents during the year		**(12,899,465)**	21,680,078
Cash and cash equivalents at the beginning of the year		**28,774,066**	7,093,988
Cash and cash equivalents at the end of the year	12	**15,874,601**	28,774,066

The attached notes 1 to 19 form part of these financial statements.

Notes to the financial statements

(stated in USD)

1. Legal status and principal activities

Vega Industries (Middle East) – F.Z.C, Ajman Free Zone, Ajman ("the Company") is a Free Zone Company registered under the Ajman Free Zone Authority Offshore Companies Regulations 2003 of the United Arab Emirates.

The Company is controlled and substantially owned by M/s. AIA Engineering Limited, India ("the ultimate parent company"). The Company operates a representative office in Australia and has wholly owned subsidiaries in United Kingdom, Republic of South Africa and People's Republic of China, Indonesia and Republic of Chile.

The principal activity of the Company is trading and distribution of grinding media and related items.

The principal place of business of the Company is located at A 1 – 314, Ajman Free Zone, Ajman.

2. Adoption of new and revised International Financial Reporting Standards

2.1 Amended standards adopted by the Company

The Company has adopted the following applicable amended IFRS as of 1 April 2017:

- Amendments to IAS 7 'Statement of cash flows' issued in January 2016 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The management believes the adoption of the above and other amendments effective for the current accounting period has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements.

2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

The following standards and amendments to existing standards that are applicable to the Company have been published and are mandatory for accounting periods of the Company beginning after 1 April 2017, but which have not been adopted early by the Company:

a. IFRS 9, 'Financial Instruments' has an effective date for accounting periods beginning on or after 1 January 2018. IFRS 9 outlines the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. Financial assets are to be measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. The impairment model in IFRS 9 moves to one that is based on expected credit losses rather than the IAS 39 incurred loss model. The derecognition principles of IAS 39, 'Financial Instrument: Recognition and Measurement' have been transferred to IFRS 9. The hedge accounting requirements have been liberalised from that allowed previously. The requirements are based on whether an economic hedge is in existence, with less restriction to prove whether a relationship will be effective than current requirements.

b. IFRS 15 Revenue from Contracts with Customers issued in May 2014 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:
   - Identify the contract with the customer
   - Identify the performance obligations in the contract
   - Determine the transaction price
   - Allocate the transaction price to the performance obligations in the contracts
   - Recognise revenue when (or as) the entity satisfies a performance obligation.

   The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will apply to annual periods beginning on or after 1 January 2018.

2. Adoption of new and revised International Financial Reporting Standards (Continued)

2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (Continued)

c. IFRS 16 Leases - is effective for annual periods beginning on or after 1 January 2019.The scope of IFRS 16 includes leases of all assets, with certain exceptions. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting is substantially unchanged from accounting under IAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. The standard's transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies IFRS 15.

The management believes the adoption of the above standards / amendments is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for future periods.

3. Basis of preparation and significant accounting policies and estimates

3.1 Basis of preparation

These financial statements represent the separate financial statements of the Company which are prepared by the management for local reporting purposes and in which the investment in subsidiaries are accounted for using the cost method of accounting as explained in the respective accounting policy notes set out below. The Company is not required to prepare consolidated financial statements, as it is wholly owned by a parent Company that prepares consolidated financial statements.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements have been prepared in US Dollars (USD).

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis. The principal accounting policies that have been applied consistently by the Company to all periods presented in these financial statements are set out below.

3.3 Significant accounting policies

a) Revenue recognition

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

Sale of goods
Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, normally on delivery to the customer.

Others
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.
- Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

b) Furniture and equipment

Furniture and equipment are stated in the statement of financial position at cost less accumulated depreciation and any recognised impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.3 Significant accounting policies (Continued)

b) Furniture and equipment (Continued)

The residual values and useful lives of furniture and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. Depreciation is charged on assets so as to write off the cost of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

Furniture and fixtures	4 years
Office equipment	4 years
Computers	4 years
Motor vehicles	4 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

c) Impairment of non-financial assets

At each reporting date, 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 (if any). 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.

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 as an expense immediately. 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 as income immediately.

d) Financial instruments – recognition, derecognition and offsetting

A financial asset or a financial liability is recognised when the Company becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or where applicable a part of a financial asset or a part of group of similar financial assets) is de-recognised either when:

(i) the rights to receive cash flows from the asset have expired.

(ii) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

(iii) the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) 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 right 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.

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

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.3 Significant accounting policies (Continued)

d) Financial instruments – recognition, derecognition and offsetting (Continued)

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Company intends to settle on a net basis.

e) Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated.

If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

(i) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income;

(ii) For assets carried at cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(iii) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of estimated future cash flows discounted at the financial assets original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Reversal of impairment losses are recognised in the statement of comprehensive income to the extent carrying value of the asset does not exceed its amortised cost at the reversal date.

f) Investment in subsidiaries

Investment in subsidiaries is carried at cost. Subsidiaries are the companies in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. Income from investments is recognized when the right to receive income is established.

g) Investments at fair value through profit or loss

If an investment is held for trading, or is designated as such on initial recognition, it is classified as held at fair value through profit or loss. Assets other than held for trading are designated at fair value through profit or loss when the Company manages the holdings and makes purchase and sale decisions based on fair value assessments and documented risk management and investment strategies. Investments at fair value through profit or loss are initially measured at fair value. Attributable transaction costs and subsequent changes in fair value are recognised in profit or loss.

h) Accounts receivable

Accounts receivable are stated at their amortised cost less any allowances for doubtful receivables. All individually significant receivables are individually assessed for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the receivable in a group of receivables with similar credit risk characteristics and collectively assesses them for impairment. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect the amounts due. Indicators that the accounts receivable are impaired include consistent default in payments when due in accordance with the terms of the arrangements with the customers, financial difficulties of the customer and other indicators. When an accounts receivable is considered uncollectible, it is written off against the allowance account for credit losses. The carrying value of accounts receivable approximately reflects their fair value due to the short term nature of those receivables.

3. **Basis of preparation and significant accounting policies and estimates (Continued)**

3.3 **Significant accounting policies (Continued)**

i) **Inventories**

Inventories are valued at the lower of the cost or net realizable value, after making due allowance for any obsolete or slow moving items. Cost is determined weighted average basis and consists of aggregate of purchase price and other related expenses incurred to bring the inventories to their present location and condition. Net realizable value is determined on estimated selling price less any estimated cost of disposal.

j) **Employees' terminal benefits**

Provision is made for employees' terminal benefits on the basis prescribed under the U.A.E Labour Law based on employees' salaries and number of years of service. The terminal benefits are paid to employees on termination or completion of their term of employment. Accordingly, the Company has no expectation of settling its employees' terminal benefits obligation in the near future.

k) **Accounts and other payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received whether or not billed to the Company.

l) **Foreign currencies**

Functional and presentation currency
The financial statements are presented in US Dollars (USD), which is the Company's functional and presentation currency.

Transactions and balances
Transactions in currencies other than USD are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising in these cases are dealt with in the statement of comprehensive income.

m) **Cash and cash equivalents**

Cash and cash equivalents consist of unrestricted bank balances and cash less margin money deposits under lien.

n) **Operating leases**

Activities as lessee
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

o) **Fair value measurements**

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. When measuring fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.