

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

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**Financial Statements**  
**31 March 2017**

## 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 2017, and the statement of comprehensive income, statement of changes in shareholder’s 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 2017, 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  
15 May 2017

Vega Industries (Middle East) – F.Z.C  
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**Statement of comprehensive income**

(stated in USD)

	Note	2017	2016
<b>Income</b>			
Sales	3.3 a)	230,295,523	219,879,047
Cost of sales		(210,817,888)	(196,466,715)
Gross profit		19,477,635	23,412,332
Other income	4	3,979,715	597,870
Change in the fair value of investments designated at fair value through profit or loss	9	(1,925)	(64,075)
		<b>23,455,425</b>	<b>23,946,127</b>
<b>Expenses</b>			
General and administration	5	3,816,774	5,251,033
Selling and distribution	6	10,529,887	9,414,890
Depreciation	7	16,748	26,083
		<b>14,363,409</b>	<b>14,692,006</b>
<b>Profit and total comprehensive income for the year</b>		<b>9,092,016</b>	<b>9,254,121</b>

The attached notes 1 to 20 form part of these financial statements.


Vega Industries (Middle East) – F.Z.C  
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**Statement of financial position**

(stated in USD)

	Note	2017	2016
<b>Assets</b>			
<b>Non-current assets</b>			
Furniture and equipment	7	27,399	32,901
Investment in subsidiaries	8	832,389	672,336
<b>Total non-current assets</b>		<b>859,788</b>	<b>705,237</b>
<b>Current assets</b>			
Investments at fair value through profit or loss	9	5,180,200	5,747,125
Inventories	10	16,079,762	8,734,687
Accounts and other receivables	11	71,468,171	64,919,141
Bank and cash balances	12	29,122,790	7,559,493
<b>Total current assets</b>		<b>121,850,923</b>	<b>86,960,446</b>
<b>Total assets</b>		<b>122,710,711</b>	<b>87,665,683</b>
<b>Shareholders' funds and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	13	325,000	325,000
Retained earnings		38,306,952	34,869,936
<b>Total shareholders' funds</b>		<b>38,631,952</b>	<b>35,194,936</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employees' terminal benefits	14	179,761	171,310
<b>Total non-current liabilities</b>		<b>179,761</b>	<b>171,310</b>
<b>Current liabilities</b>			
Accounts and other payables	15	83,898,998	50,151,480
Bank borrowings	16	--	2,147,957
<b>Total current liabilities</b>		<b>83,898,998</b>	<b>52,299,437</b>
<b>Total liabilities</b>		<b>84,078,759</b>	<b>52,470,747</b>
<b>Total shareholders' funds and liabilities</b>		<b>122,710,711</b>	<b>87,665,683</b>

The attached notes 1 to 20 form part of these financial statements.

  
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Director  
15 May 2017

Vega Industries (Middle East) – F.Z.C  
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**Statement of changes in shareholders' funds**

(stated in USD)

	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

	Share capital	Retained earnings	Total
Balance at 1 April 2015	325,000	62,730,815	63,055,815
Total comprehensive income for the year	--	9,254,121	9,254,121
Dividend paid	--	(37,115,000)	(37,115,000)
Balance at 31 March 2016	325,000	34,869,936	35,194,936

The attached notes 1 to 20 form part of these financial statements.

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**Statement of cash flows**

(stated in USD)

	Note	2017	2016
<b>Cash flows from operating activities</b>			
Total comprehensive income for the year		9,092,016	9,254,121
Adjustments for:			
Depreciation	7	16,748	26,083
Interest on investments at fair value through profit or loss	4	(249,253)	(257,508)
Changes in the fair value of investments designated at fair value through profit or loss	9	1,925	64,075
Provision for employees' terminal benefits	14	19,686	12,816
Cash flows from operations before working capital changes		8,881,122	9,099,587
(increase) / decrease in inventories		(7,345,075)	6,678,683
(Increase) in accounts and other receivables		(6,549,030)	(9,627,011)
Increase in accounts and other payables		33,747,518	29,180,614
Employees' terminal benefits paid	14	(11,235)	(56,450)
Decrease / (increase) in margin money deposits		116,781	(70,458)
<b>Net cash from operating activities</b>		<b>28,840,081</b>	<b>35,204,965</b>
<b>Cash flows from investing activities</b>			
Purchase of furniture and equipment	7	(11,246)	(12,425)
Proceeds from disposal of investments designated at fair value through profit or loss	9	565,000	--
Increase in investment in subsidiaries		(160,053)	(37,961)
Interest on investments at fair value through profit or loss	4	249,253	257,508
<b>Net cash from investing activities</b>		<b>642,954</b>	<b>207,122</b>
<b>Cash flows from financing activities</b>			
(Decrease) / increase in bank borrowings		(2,147,957)	2,147,957
Dividend paid		(5,655,000)	(37,115,000)
<b>Net cash (used in) financing activities</b>		<b>(7,802,957)</b>	<b>(34,967,043)</b>
<b>Increase in cash and cash equivalents during the year</b>		<b>21,680,078</b>	<b>445,044</b>
Cash and cash equivalents at the beginning of the year		7,093,988	6,648,944
<b>Cash and cash equivalents at the end of the year</b>	12	<b>28,774,066</b>	<b>7,093,988</b>

The attached notes 1 to 20 form part of these financial statements.

**Vega Industries (Middle East) – F.Z.C**  
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## **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 branch in Australia and has wholly owned subsidiaries in United Kingdom, Republic of South Africa and People’s Republic of China and Indonesia.

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 New and amended standards adopted by the Company**

The Company has adopted the following applicable new and amended IFRSs as of 1 April 2016:

- a. Amendments to IAS 1 ‘Presentation of Financial Statements’ issued in December 2014 is part of the disclosure initiative. The minor amendments address a number of areas which include, the disclosure of significant accounting policies, the application of materiality to financial statements, presentation of sub-totals, information to be presented for certain components of other comprehensive income and the structure of the financial statements.
- b. Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 38 ‘Intangible assets’ were issued in May 2014 clarifying the acceptable methods of depreciation and amortization. The amendment clarifies that a depreciation method based on revenue is not an appropriate method in determining a pattern in which the assets future economic benefits are consumed.

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 2016, 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).



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**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)**

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.

- c. Amendments to IAS 7 Statement of Cash Flows. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments should be applied for annual periods beginning on or after 1 January 2017. Earlier application is permitted. When the entity first applies the amendments, it is not required to provide comparative information for preceding periods.
- d. 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 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.

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

**3.3 Significant accounting policies (Continued)**

**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.

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.

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**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)**

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.

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. 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.

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

**3.3 Significant accounting policies (Continued)**

**h) Accounts receivable (Continued)**

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 reflect their fair value due to the short term nature of those receivables.

**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) 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.

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

**3.3 Significant accounting policies (Continued)**

**o) Contingent liabilities**

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 the 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.

Contingent liabilities are not recognised but are disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as provision.

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

**3.4 Significant accounting estimates**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

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

**Impairment of trade accounts receivable, amounts due from subsidiaries and related parties**

An estimate of the collectible amount of trade accounts receivable, amounts due from subsidiaries and related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognised in the statement of comprehensive income.

**Impairment of furniture and equipment**

A decline in the value furniture and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of furniture and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant changes in the technology and regulatory environments.
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

**Impairment of inventories**

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

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

**3.4 Significant accounting estimates (Continued)**

**Useful lives of furniture and equipment**

The Company's management determines the estimated useful lives of its furniture and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

**4. Other income**

	2017	2016
Interest received on investments at fair value through profit or loss	249,253	257,508
Management fee (Note 17)	334,696	340,362
Unrepresented liabilities written back (Note 17)	3,183,386	--
Gain on foreign currency fluctuation	199,020	--
Others	13,360	--
	3,979,715	597,870

Management fee represents amount charged to a subsidiary for the services rendered by the Company.

**5. General and administration expenses**

	2017	2016
Staff salaries and benefits	1,384,733	1,395,341
Loss on foreign currency fluctuation	--	1,871,967
Legal and professional expenses	1,137,142	863,206
Directors' remuneration (Note 17)	232,873	274,454
Bank charges	512,140	241,870
Interest on bank overdraft	--	18,599
Insurance	200,429	195,751
Communication	129,368	124,628
Rent and license fees	65,367	70,805
Management expenses (Note 17)	--	31,200
Others	154,722	163,212
	3,816,774	5,251,033

Management expenses represent expenses incurred on Company's overseas operations recharged by its subsidiary.

**6. Selling and distribution expenses**

	2017	2016
Clearing and forwarding	3,840,555	3,474,131
Freight (Note 17)	3,098,031	--
Commission on sales	2,134,083	2,573,242
Travelling and conveyance	1,326,577	1,214,250
Allowance for impaired receivables (Note 11)	53,372	17,729
Claims	--	(288,203)
Bad debts written off	8,024	16,045
Business promotion expenses	69,245	7,696
Product development charges (Note 17)	--	2,400,000
	10,529,887	9,414,890

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**7. Furniture and equipment**

<b>2017</b>	Furniture and fixtures	Office equipment	Computers	Motor vehicles	Total
<i>Cost</i>					
At 1 April 2016	50,169	28,244	71,562	90,869	240,844
Additions during the year	--	172	11,074	--	11,246
At 31 March 2017	50,169	28,416	82,636	90,869	252,090
<i>Accumulated depreciation</i>					
At 1 April 2016	48,881	23,691	56,133	79,238	207,943
Charge for the year	404	2,364	8,273	5,707	16,748
At 31 March 2017	49,285	26,055	64,406	84,945	224,691
<i>Net book value</i>					
At 31 March 2017	884	2,361	18,230	5,924	27,399
<b>2016</b>	Furniture and fixtures	Office equipment	Computers	Motor vehicles	Total
<i>Cost</i>					
At 1 April 2015	49,019	25,799	62,732	90,869	228,419
Additions during the year	1,150	2,445	8,830	--	12,425
At 31 March 2016	50,169	28,244	71,562	90,869	240,844
<i>Accumulated depreciation</i>					
At 1 April 2015	42,984	21,077	49,217	68,582	181,860
Charge for the year	5,897	2,614	6,916	10,656	26,083
At 31 March 2016	48,881	23,691	56,133	79,238	207,943
<i>Net book value</i>					
At 31 March 2016	1,288	4,553	15,429	11,631	32,901

**8. Investment in subsidiaries**

(Unquoted at cost)

At the reporting date, the Company owns shares in the following limited liability companies:

<b>Name</b>	<b>Country of registration</b>	<b>Activity</b>	<b>Proportion of the ownership interest held by the Company</b>	
			<b>2017</b>	<b>2016</b>
Vega Industries Limited, U.K	United Kingdom	Importing and distribution of grinding media	100%	100%
Wuxi Weigejia Trade Co. Ltd	People's Republic of China	Wholesale, installation, import and export business on mining, quarrying equipment, cement special equipment and relevant spare parts	100%	100%
Vega Steel Industries (RSA) (Proprietary) Limited	Republic of South Africa	Importing and trading of steel and alloy castings and related components	100%	100%
PT Vega Industries	Indonesia	Importing and distribution of grinding media	99%	99%

The carrying values of the above un-quoted subsidiaries are as follows:

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**8. Investment in subsidiaries (Continued)**

Name of the subsidiary	2017	2016
Vega Industries Limited, U.K 10,000 shares of GBP 1 each (2016 – 10,000 shares of GBP 1 each)	334,375	334,375
Wuxi Weigejia Trade Co. Ltd 30 shares of USD 10,000 each (2016 – 30 shares of USD 10,000 each)	300,000	300,000
Vega Steel Industries (RSA) (Proprietary) Limited 100 shares of ZAR 1 each (2016 – 100 shares of ZAR 1 each)	14	14
PT Vega Industries 198 shares of IDR 13,116,000 each (2016 – share application money)	198,000	37,947
	<b>832,389</b>	<b>672,336</b>

The above investments are stated at cost in these financial statements of the Company (Notes 3.1 and 3.3f).

The Company has operational and financial control over the above subsidiaries.

**9. Investments at fair value through profit or loss**

The Company has a portfolio of investments held through various investment banks. The movements during the year are as follows:

	2017	2016
Balance at the beginning of the year	5,747,125	5,811,200
Disposal during the year	(565,000)	–
Changes in fair value	(1,925)	(64,075)
Balance at the end of the year	<b>5,180,200</b>	<b>5,747,125</b>

**10. Inventories**

	2017	2016
Goods in transit	12,545,994	7,799,458
Goods held for re-sale	3,533,768	935,229
	<b>16,079,762</b>	<b>8,734,687</b>

**11. Accounts and other receivables**

	2017	2016
Trade accounts receivable	29,626,909	20,866,717
Due from subsidiaries	41,622,383	43,901,937
Prepaid expenses	87,372	117,451
Deposits	42,331	40,303
Interest accrued on investments	59,163	67,410
Other receivables	311,190	163,721
	<b>71,749,348</b>	<b>65,157,539</b>
Allowance for impaired receivables	(281,177)	(238,398)
	<b>71,468,171</b>	<b>64,919,141</b>

The movement in the allowance for impaired receivables during the year is as follows:

	2017	2016
Balance at beginning of the year	238,398	686,851
Additional allowance during the year (Note 6)	53,372	17,729
Release during the year	(7,231)	–
Utilized for written off during the year	(3,362)	(466,182)
Balance at the end of the year	<b>281,177</b>	<b>238,398</b>



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**11. Accounts and other receivables (Continued)**

- a) At the reporting date, trade accounts receivable amounting to USD 294,291 (2016: USD 132,726) were past due but not considered to be impaired. The ageing analysis of the above receivables is as follows:

	2017	2016
Debts due between 3 - 6 months	294,291	4,727
More than 6 months	--	127,999
	294,291	132,726

- b) Trade accounts receivable and due from related parties are considered collectible based on historic experience. It is not the practice of the Group to obtain collateral over receivables.
- c) Due from subsidiaries includes USD 3,863,832 (2016: USD 396,025) which relates to balances arising from non-trade transactions.
- d) Trade accounts receivable are subject to a charge against the bank facilities granted to the Company (Note 19).

**12. Bank and cash balances**

	2017	2016
Cash on hand	1,382	1,882
Current account with banks	28,772,684	7,092,106
Margin money deposits	348,724	465,505
Bank and cash balances	29,122,790	7,559,493
Less: Margin money deposits under lien	(348,724)	(465,505)
Cash and cash equivalents in the statement of cash flows	28,774,066	7,093,988

Margin money deposits are subject to a lien for bank guarantees issued by banks on behalf of the Company (Note 19).

**13. Share capital**

	2017	2016
Authorised capital (50,000 shares of USD 10 each)	500,000	500,000
Issued, subscribed and paid up capital (32,500 shares of USD 10 each)	325,000	325,000

The shareholding structure is as follows:

	2017	2016
M/s. AIA Engineering Ltd, India (30,875 shares of USD 10 each)	308,750	308,750
Mr. Bhadresh Kantilal Shah as a nominee of AIA Engineering Ltd, (1,625 shares of USD 10 each)	16,250	16,250
	325,000	325,000

**14. Employees' terminal benefits**

The provision for end of service benefits for employees is made in accordance with the provisions of the U.A.E. Labour Laws. This is an unfunded defined benefits retirement plan. Employees are entitled to benefits based on length of service and final remuneration and are payable on termination or completion of term of employment. The cost of providing these benefits is charged as an expense on an annual basis.

Movements in the provision recognised in the statement of financial position are as follows:

	2016	2015
Balance at the beginning of the year	171,310	214,944
Provided during the year	19,686	12,816
Paid during the year	(11,235)	(56,450)
Balance at the end of the year	179,761	171,310

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**15. Accounts and other payables**

	2017	2016
Due to a shareholder	76,142,039	40,854,836
Provision for warranty	2,052,250	2,052,250
Provision for claims payable	2,198,790	2,198,790
Provision for expenses	55,700	22,790
Advance from customers	1,877,126	3,191,419
Other payables	1,573,093	1,831,395
	83,898,998	50,151,480

**16. Bank borrowings**

	2017	2016
Bank overdraft	--	2,147,957
	--	2,147,957

Bank borrowings are from commercial banks in the United Arab Emirates, carry interest at commercial rates and are secured by the corporate guarantee from a shareholder.

**17. Related party transactions**

Related parties represent shareholders and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Prices and terms of these transactions were approved by the management. The significant related party transactions during the year are as follows:

	2017	2016
Sales	91,628,562	89,501,331
Cost of sales	209,172,911	188,692,864
Product development charges (Note 6)	--	2,400,000
Management expenses (Note 5)	--	31,200
Unrepresented liabilities written back (Note 4)	3,183,386	--
Management fees (other income) (Note 4)	334,696	340,362
Staff salaries and benefits (general and administration)	228,286	409,048
Finance charges	275,000	36,644
Freight (selling and distribution expenses) (Note 6)	3,098,031	--

The amounts due from/to related parties do not attract interest and are receivable/payable on demand.

	2017	2016
Key management compensation (including Directors' emoluments)	2017	2016
Directors' remuneration (Note 5)	232,873	274,454

**18. Financial risk and capital management**

**18.1 Financial risk factors**

The Company's financial instruments consist mainly of accounts and other receivables, amount due from related parties, amount due from subsidiaries, bank and cash balances, accounts and other payables and amount due to shareholder. The management believes that the fair values of the financial assets and liabilities approximate to their carrying amounts.

The Company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance. Under the Company's risk management programme, management identifies and documents key risks and sets out policies and procedures required to mitigate these risks. No changes were made in the risk management objectives and policies during the years ended 31 March 2017 and 31 March 2016. The identified key risks are:

**a) Currency risk**

The Company manages its currency risk by regularly assessing current and expected foreign currency exchange rate movements and foreign currency exposures and hedges foreign currency exposures.

The table below indicates the Company's foreign currency exposure at 31 March, as a result of its monetary assets and liabilities.

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18. Financial risk and capital management (Continued)

18.1 Financial risk factors (Continued)

a) Currency risk (Continued)

	2017 USD	2016 USD
Euro	196,462	2,734,910
ZAR	4,664,104	8,351,810
AUD	1,591,085	1,811,050
GBP	873,020	--
CAD	1,223,463	78,253

The following tables demonstrate the sensitivity to a reasonably possible change in the following foreign currencies, with all other variables held constant. The impact on the Company's profit is due to changes in the fair value of monetary assets and liabilities.

	2017 Effect on profit (+/-) USD	2016 Effect on profit (+/-) USD
Change in currency rate in 1% (+/-)		
Currency		
Euro	1,965	27,349
ZAR	46,641	83,518
AUD	15,911	18,111
GBP	8,730	--
CAD	12,235	783

b) Credit risk

The Company has no significant concentrations of credit risk. The Company's bank accounts are placed with high credit quality financial institutions. The credit risk on trade accounts receivable, amount due from subsidiaries and amount due from related parties is subjected to credit evaluations and an allowance is made for any estimated irrecoverable amounts. The amounts presented in the statement of financial position are net of allowances for doubtful receivables.

The Company is exposed to significant concentration of credit risk. At the reporting date, 40% of the trade accounts receivable are due from 5 customers (2016: 43% from 5 customers).

With respect to credit risk arising from the financial assets of the Company, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

c) Liquidity risk

2017	<i>On demand</i>	<i>0 to 6 months</i>	<i>6 months to 1 year</i>	<i>Total</i>
Due to a shareholder	76,142,039	--	--	76,142,039
Provision for warranty	--	--	2,052,250	2,052,250
Provision for claims payable	--	--	2,198,790	2,198,790
Provision for expenses	--	55,700	--	55,700
Other payables	--	1,573,093	--	1,573,093
<b>Total</b>	<b>76,142,039</b>	<b>1,628,793</b>	<b>4,251,040</b>	<b>82,021,872</b>

2016	<i>On demand</i>	<i>0 to 6 months</i>	<i>6 months to 1 year</i>	<i>Total</i>
Due to a shareholder	40,854,836	--	--	40,854,836
Provision for warranty	--	--	2,052,250	2,052,250
Bank overdraft	--	--	2,147,957	2,147,957
Provision for claims payable	--	--	2,198,790	2,198,790
Provision for expenses	--	22,790	--	22,790
Other payables	--	1,831,395	--	1,831,395
<b>Total</b>	<b>40,854,836</b>	<b>1,854,185</b>	<b>6,398,997</b>	<b>49,108,018</b>

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**18. Financial risk and capital management (Continued)**

**18.2 Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Company manages the shareholders' funds and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the shareholder's funds, the Company may adjust the amount of dividends paid to shareholders, return funds to shareholders, issue new shares, or sell assets to reduce its exposure to debt. No changes were made in the objectives, policies or processes during the years ended 31 March 2017 and 31 March 2016. Capital comprises share capital and retained earnings, and is measured at USD 38,631,952 as at 31 March 2017 (2016: USD 35,194,936).

**19. Contingent liabilities**

	2017	2016
Bank performance bonds and guarantees	<u>18,520</u>	3,993,235

Bank facilities are secured by a lien on margin money deposit held by banks, corporate guarantee of a shareholder and assignment of trade accounts receivable (Note 11 and 12).

**20. Comparative figures**

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year.