**Sakuma Exim DMCC**
**Dubai - United Arab Emirates**

**Auditors' report and financial statements**

**For the year ended March 31, 2016**

**Private & Confidential**

**Sakuma Exim DMCC**

Dubai - United Arab Emirates

Auditors' report and financial statements for the year ended March 31, 2016

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**Sakuma Exim DMCC**
Dubai - United Arab Emirates

The Entity

| | | | |
|---|---|---|---|
| Principal office address | : Unit No. 704 A, Mazaya Business Avenue AA1,<br>Plot No.JLTE-PH2-AA1<br>Jumeirah Lake Towers<br>Dubai – U.A.E. | | |
| The Shareholders' | Name | Equity Shareholding | |
| | M/s Sakuma Exports Ltd. | 100% | Indian Co. |
| The Manager | : Name | | Nationality |
| | Mr. Subramaniam Venkatraman Iyer | | Indian |
| The Auditors | : M Al Ali Auditing<br>P O Box . 171492<br>Dubai, United Arab Emirates | | |
| The Main Banks | : First Gulf Bank (FGB)<br>Emirates National Bank of Dubai (ENBD)<br>National Bank of Fujairah (NBF) | | |

M AL ALI AUDITING

**Sakuma Exim DMCC**
Dubai - United Arab Emirates

Directors Report

The Directors have pleasure in presenting their report and the audited financial statements for the year ended March 31, 2016.

**Principal activities of the Entity :**

The principal activities of the entity consist of trading in Food & Beverages, Trading In Agriculture Commodities (DMCC) & Sugar Trading.

**Financial review:**

| The table below summarized results of 2016 and 2015 | **2016** | 2015 |
|---|---|---|
| | **AED** | AED |
| Revenue | **547,795,542** | 244,878,284 |
| Direct cost | **(532,269,748)** | (239,171,931) |
| Gross profit | **15,525,794** | 5,706,353 |
| Gross profit margin | **2.83%** | 2.33% |
| Net profit for the year | **11,362,211** | 4,926,092 |
| Net profit margin | **2.07%** | 2.01% |

**Business operations review and future business developments:**

The infrastructure of the U.A.E is considered to be excellent and we expect it to drive the economy to the foreseeable future. The current financial year has already started on a strong note and the Entity is optimistic about the prospects on the performance of its business in the ensuing year.

**Role of the Directors:**

The Directors are the Entity's principal decision-making forum. Directors have the overall responsibility for leading and supervising the Entity and is accountable to shareholders for delivering sustainable shareholder value through their guidance and supervision of the Entity's business. The Directors sets the strategies and policies of the Entity. They monitor performance of the Entity's business, guides and supervises its management.

**Risk management and internal control systems:**

The Entity is committed to the ongoing process of identifying risk factors, analysing the risks, and deciding upon measures of risk handling and risk control, with a view to achieving sustainability of business operations, employment and surpluses. The Entity's risk management framework identifies, assesses, manages and reports risks on a consistent and reliable basis. The Directors consider primary risk areas to be: credit risk, interest rate risk, foreign exchange and liquidity risk.

The Directors recognised their responsibilities to ensure the existence of the system of internal control and for reviewing its continued effectiveness. In view of the above, the management has in place a management information system that facilitates financial and other information being periodically reported on a transparent basis to the management and that in turn helps in initiating action to mitigate risks to the extent feasible.

**Going concern:**

The attached financial statements have been prepared on a going concern basis. While preparing the financial statements the management has made an assessment of the Entity's ability to continue as a going concern. The management has not come across any evidence that causes the management to believe that material uncertainties related to the events or conditions existed, which may cast significant doubt on the Entity's ability to continue as a going concern.

**Events after year end:**

In the opinion of the Directors, no transaction or event of a material and unusual nature, favourable or unfavourable has arisen in the interval between the end of the financial year and the date of this report, that is likely to affect, substantially the result of the operations or the financial position of the Entity.

**Auditors:**

M/s. M AL ALI AUDITING, United Arab Emirates is willing to continue in office and a resolution to re-appoint them will be proposed in the Annual General Meeting.

**Statement of Directors responsibilities:**

The applicable requirements, requires the Directors to prepare the financial statements for each financial year which presents fairly in all material respects, the financial position of the Entity and its financial performance for the year then ended.

The audited financial statements for the year under review, have been prepared in conformity and in compliance with the relevant statutory requirements and other governing laws. The Directors confirms that sufficient care has been taken for the maintenance of proper and adequate accounting records that disclose with reasonable accuracy at any time, the financial position of the Entity and enables them to ensure that the financial statements comply with the requirements of applicable statute. The Directors also confirm that appropriate accounting policies have been selected and applied consistently in order that the financial statements reflect fairly the form and substance of the transactions carried out during the year under review and reasonably present the Entity's financial conditions and results of its operations.

**Acknowledgements**

The Directors wishes to place on record their sincere gratitude for the continuous support extended by various government departments, banks, customers, suppliers, employees and all well wishers.

**Director**
**Sakuma Exim DMCC**
**Date May 19, 2016**



M AL ALI AUDITING

## Independent auditors' report

**To,**
**The Shareholder's**
**Sakuma Exim DMCC**
**Dubai - United Arab Emirates**

**Report on the financial statements**

We have audited the accompanying financial statements of **Sakuma Exim DMCC**, Dubai, U.A.E. ("Entity") which comprise the statement of financial position as at March 31, 2016 and the statement of comprehensive income, statement of changes in shareholder equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS). The management is also responsible for such internal controls as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Sakuma Exim DMCC** as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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M AL ALI AUDITING

**Report on other legal and regulatory requirements**

As required by the provisions of the DMCC Entity Regulation No. 1/3 issued in 2003, we further confirm that,

1. We have obtained all the information and explanations necessary for our audit,

2. We are not aware of any contraventions during the year of the above mentioned law or the Entity's Articles Association; which may have material effect on the financial position of the Entity or the result of its for the year.

**for M AL ALI AUDITING**

M. Goyal

DUBAI - U.A.E.
M AL ALI AUDITING

**Dubai, United Arab Emirates**
**May 19, 2016**

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**Sakuma Exim DMCC**
Dubai - United Arab Emirates
Statement of financial position as at March 31, 2016
(In Arab Emirates Dirhams )

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Assets** | | | |
| *Current assets* | | | |
| Due from related parties | 4 | **151,288** | 4,415,804 |
| Trade receivables | 5 | **112,579,471** | 63,310,745 |
| Advances, deposits and other receivables | 6 | **430,918** | - |
| Cash and bank balances | 7 | **2,834,602** | 6,431,519 |
| *Total current assets* | | **115,996,279** | 74,158,068 |
| **Total assets** | | **115,996,279** | 74,158,068 |
| **Equity and liabilities** | | | |
| *Shareholders' equity* | | | |
| Share capital | 8 | **50,000** | 50,000 |
| Retained earnings | 9 | **18,714,182** | 7,351,971 |
| Shareholders' current account | 10 | **(55)** | (55) |
| *Total shareholders' equity* | | **18,764,127** | 7,401,916 |
| *Current liabilities* | | | |
| Trade and other payable | 11 | **97,232,152** | 66,756,152 |
| Total liabilities | | **97,232,152** | 66,756,152 |
| **Total shareholders' equity and liabilities** | | **115,996,279** | 74,158,068 |

**The accompanying notes form an integral part of these financial statements.**
**The report of the auditors is set out on page 4 and 5.**

The financial statements on pages 6 to 22 were approved on May 19, 2016 and signed on behalf of the Entity, by:

**Director**
**Sakuma Exim DMCC**

MAL ALI AUDITING

**Sakuma Exim DMCC**
Dubai - United Arab Emirates
Statement of comprehensive income for the year ended March 31, 2016
(In Arab Emirates Dirhams )

| | Notes | **2016** | 2015 |
|---|---|---|---|
| Revenue | 12 | **547,795,542** | 244,878,284 |
| Direct cost | 13 | **(532,269,748)** | (239,171,931) |
| Gross profit | | **15,525,794** | 5,706,353 |
| Selling and distribution expenses | 14 | **(1,935,194)** | (95,782) |
| Administrative expenses | 15 | **(2,228,389)** | (684,479) |
| **Profit for the year** | | **11,362,211** | 4,926,092 |
| Other comprehensive income: | | **-** | - |
| **Total comprehensive income for the year** | | **11,362,211** | 4,926,092 |

**The accompanying notes form an integral part of these financial statements.**

**The report of the auditors is set out on page 4 and 5.**

The financial statements on pages 6 to 22 were approved on May 19, 2016 and signed on behalf of the Entity, by:

**Director**
**Sakuma Exim DMCC**

**Sakuma Exim DMCC**

Dubai - United Arab Emirates

Statement of changes in shareholders' equity for the year ended March 31, 2016

(In Arab Emirates Dirhams )

| | Share capital | Retained earnings | Shareholders' current account | Total shareholders' equity |
|---|---|---|---|---|
| As at April 01, 2014 | 50,000 | 2,425,879 | (55) | 2,475,824 |
| Comprehensive income for the year | - | 4,926,092 | - | 4,926,092 |
| As at March 31, 2015 | 50,000 | 7,351,971 | (55) | 7,401,916 |
| Comprehensive income for the year | - | 11,362,211 | - | 11,362,211 |
| **As at March 31, 2016** | **50,000** | **18,714,182** | **(55)** | **18,764,127** |

**The accompanying notes form an integral part of these financial statements.**

**The report of the auditors is set out on page 4 and 5.**

M AL ALI AUDITING

**Sakuma Exim DMCC**

Dubai - United Arab Emirates

Statement of cash flows for the year ended March 31, 2016

(In Arab Emirates Dirhams )

| | **2016** | 2015 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net profit for the year | **11,362,211** | 4,926,092 |
| | **11,362,211** | 4,926,092 |
| *(Increase) / decrease in current assets* | | |
| Inventories | - | 974,408 |
| Trade receivables | **(49,268,726)** | (42,697,096) |
| Advances, deposits and other receivables | **(430,918)** | 141,161 |
| Due from related parties | **4,264,516** | (3,674,464) |
| *Increase / (decrease) in current liabilities* | | |
| Trade and other payable | **30,476,000** | 45,647,213 |
| ***Net cash (used in)/from operating activities*** | **(3,596,917)** | 5,317,314 |
| ***Net (decrease)/increase in cash and cash equivalents*** | **(3,596,917)** | 5,317,314 |
| Cash and cash equivalents, beginning of the year | **6,431,519** | 1,114,205 |
| **Cash and cash equivalents, end of the year** | **2,834,602** | 6,431,519 |
| Represented by: | | |
| Cash in hand | **107,507** | 2,426 |
| Cash at banks | **2,727,095** | 6,429,093 |
| | **2,834,602** | 6,431,519 |

**The accompanying notes form an integral part of these financial statements.**

**The report of the auditors is set out on page 4 and 5.**



MALALI AUDITING

## 1 Legal status and business activities

1.1 **Sakuma Exim DMCC** Dubai – United Arab Emirates (the "Entity") was registered on November 30, 2011 as Free Zone Company and operates in the Dubai Multi Commodities Centre, United Arab Emirates under a commercial license issued by the Dubai Muli Commodity centre of the Government of Dubai.

1.2 The Entity is licensed by the Dubai Multi Commodities Centre for trading in Food & Beverages, trading In Agriculture Commodities (DMCC) & Sugar Trading.

1.3 The registered office of the Entity is located at Unit No. 704 A, Mazaya Business Avenue AA1, Plot No.JLTE-PH2-AA1, Jumeirah Lake Towers, Dubai, United Arab Emirates.

1.4 The management and control are vested with Mr. Subramaniam Venkatraman Iyer, Indian national.

1.5 These financial statements incorporate the operating results of the trading license no. DMCC 32027.

## 2 Application of new and revised International Financial Reporting Standards (IFRS)

### 2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

| New and revised IFRSs | Summary of requirements |
|---|---|
| IFRS 9 *Financial Instruments* (as part of IAS 39 replacement project) | New requirements on accounting for financial liabilities measured at fair value through profit or loss (FVTPL) and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. The new requirements address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value. |
| (as part of IAS 39 replacement project) | The application of these new requirements has no effect on the financial statements of the Entity for the year then ended as all financial liabilities are measured at amortised cost by using the |
| Amendments to IAS 1 *Presentation of Financial Statements* (as part of Improvements to IFRSs issued in 2009 | The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.<br>This amendment had no effect on the amounts reported in current year and prior years because the Entity has not previously issued instruments of this nature. |
| Amendments to IAS 7 *Statement of Cash Flows* (as part of Improvements to IFRSs issued in 2009) | The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. |
| IFRIC 17 *Distributions of Non-* | The Interpretation provides guidance on the appropriate accounting treatment when the Entity distributes assets other than cash as dividends to its shareholders. |
| IFRIC 18 *Transfers of Assets from Customers* | The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 *Revenue*. |

### 2.2 New and revised IFRSs in issue and adopted

The Entity has adopted all the new and revised IFRSs that have been issued and effective.

## 3 Significant accounting policies

### 3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and the applicable requirements of the UAE laws. These financial statements are presented in United Arab Emirates Dirhams (AED) since that is the currency of the country in which the Entity is domiciled.

### 3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed after significant accounting policies.

The principal accounting policies applied in these financial statements are set out below.

### 3.3 Foreign currency

In preparing the financial statements of Entity, transactions in currencies other than the Entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

### 3.4 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and identified impairment loss, if any. The cost comprise of purchase price, together with any incidental expense of acquisition.

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 Entity and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

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**3 Significant accounting policies (continued)**

**3.4 Property, plant and equipment (continued)**

Depreciation is spread over its useful lives so as to write off the cost of property, plant and equipment using the straight-line method over its useful lives as follows:

The leasehold property are being depreciated over the period from when it became available for use up to

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

**3.5 Impairment of tangible**

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible 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 Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

MAL ALI AUDITI

**3 Significant accounting policies (continued)**

**3.6 Financial instruments**

Financial assets and financial liabilities are recognised when the Entity becomes a party to the contractual provisions of the instrument.

**3.7 Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through income statement ' (FVTIS), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through income statement

Financial assets at fair value through income statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Entity commits to purchase or sell the asset. Transaction costs directly attributable to the acquisition are recognised immediately in income statement.
Gains or losses arising from changes in the fair value of the 'financial assets at fair value through income statement' category are presented in the income statement.
Dividend income from financial assets at fair value through income statement is recognised in the income statement when the Entity's right to receive payments is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Entity's loans and receivables comprise "trade and other receivables", "cash and cash equivalents", due from/to related parties", "shareholders' loan" and "loan from/to related parties" in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk

Trade and other receivables

Trade and other receivables are measured at amortised cost reduced by appropriate allowance for estimated doubtful debts.

Due from/Loan to related parties

Due from/Loans /to related parties are measured at amortised cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories are stated at fair value or cost at the end of each reporting period.

**3 Significant accounting policies (continued)**

**3.7 Financial assets (continued)**

Available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably are measured at cost less any identified impairment losses at the end of

Gains and losses arising from the changes in the fair value are recognised directly in the equity in the investments revaluation reserve with the exception of impairment losses.

Where the investment is disposed off or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in statement of income.

Dividends on AFS equity instruments are recognised in income statement when the Entity's right to receive the dividends is established.

Impairment of financial assets

*Assets carried at amortised cost*

The Entity assesses at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

*Assets classified as available for sale:*

The Entity assesses at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired. (For debt securities, the group uses the criteria referred to in above).

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss ( measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss ) is removed from equity and recognised profit or loss.

## 3 Significant accounting policies (continued)

### 3.8 Financial liabilities and equity

Financial liabilities and equity instruments issued by the Entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability (and an equity instrument).

An equity instrument is any contract that evidences a residual interest in the assets of the Entity after deducting all of its liabilities. (Equity instruments issued by the Entity are recorded at the proceeds

Trade and other payables

Trade and other payables are measured at amortised cost.

Due to/loan from related parties

Amounts due to/loan from related parties are stated at amortised cost

Bank borrowings

Borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted on accrual basis and are added to the carrying value of the instruments to the extent that they are not settled in the period in which they arise.

Share capital

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial liabilities

The Entity derecognises financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire.

### 3.9 Offsetting 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 intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Cost of inventories comprises of costs of purchase, and where applicable cost of conversion and other costs that has been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### 3.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 3.12 Provisions

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

**3 Significant accounting policies (continued)**

### 3.12 Provisions (continued)

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. When 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, a 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.

### 3.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

*Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
  it is probable that the economic benefits associated with the transaction will flow to the Entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 3.14 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in policy notes, the management are 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 estimate 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.

The significant judgments and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

In the process of applying the Entity's accounting policies, which are described above, and due to the nature of operations, management makes the following judgment that has the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In recognising the revenue the management is of the view that in line with the requirement of IAS 18 "Revenue", the risk and reward of ownership is transferred to the buyers of the goods and services and that revenue is reduced for the estimated returns, rebate and other allowances (if any).

**3 Significant accounting policies (continued)**

Related parties

The Management have disclosed the related parties and the related due to and from related parties as per the requirements of IAS 24 "Related Parties Disclosures". In view of due to and from related parties being receivable and payable on demand and the Management intention to realise or pay the related parties as and when necessarily required, the disclosed balances are classified as current assets and current liabilities.

**Key assumptions**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, 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.

*Allowance for doubtful debts*

Allowances for doubtful debts are determined using a combination of factors to ensure that trade receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customer's financial conditions and collateral requirements from customers in certain circumstances. In addition, specific allowances for individual accounts are recorded when the Entity becomes aware of the customer's inability to meet its financial obligations.

*Inventories*

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required, are made for estimated obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues.

*Property and equipment*

Property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

*Leasehold improvements*

Management determines the estimated useful life and related depreciation charges for its leasehold improvements. This estimate is based on an assumption that the Entity will renew its annual lease over the estimated useful life of the asset. It could change significantly should the annual lease not be renewed. Management will increase the depreciation charge where the useful life is less than the previously estimated useful life.

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| | 2016 | 2015 |
|---|---|---|

## 4 Related party transactions

The Entity enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24, Related party disclosures. Such transactions are in the normal course of business and at terms that correspond to those on normal arms-length transactions (except revenue related transactions) with third parties. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel.

The Entity believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

### a) Due from related parties

| | 2016 | 2015 |
|---|---|---|
| Sakuma Exports Limited, India | **151,288** | 4,415,804 |
| | **151,288** | 4,415,804 |

### b) Transactions with related parties

The nature of significant related party transactions and the amounts involved were as follows:

| | 2016 | 2015 |
|---|---|---|
| Purchases | **4,256,398** | 1,099,800 |
| Sales | **3,264,807** | - |

## 5 Trade receivables

| | 2016 | 2015 |
|---|---|---|
| Trade receivables | **112,579,471** | 63,310,745 |
| | **112,579,471** | 63,310,745 |

**Note: Trade receivables as at March 31, 2016 contains 5 customers which represent more than 76.30% (2015: 50%) of the total receivables.**

Ageing of receivables

| | 2016 | 2015 |
|---|---|---|
| Due within 3 months | **108,892,824** | 62,512,705 |
| Due within 91 - 180 days | **660,751** | 798,040 |
| Above 180 days | **3,025,896** | - |
| | **112,579,471** | 63,310,745 |

## 6 Advances, deposits and other receivables

| | 2016 | 2015 |
|---|---|---|
| Deposits | **7,500** | - |
| Staff loans and advances | **8,194** | |
| Claim receivables | **415,224** | - |
| | **430,918** | - |

## 7 Cash and bank balances

| | 2016 | 2015 |
|---|---|---|
| Cash in hand | **107,507** | 2,426 |
| Cash at banks | **2,727,095** | 6,429,093 |
| | **2,834,602** | 6,431,519 |



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| | 2016 | 2015 |
|---|---|---|

## 8 Share capital

Authorised, issued and paid up capital of the Entity is AED 50,000 divided into 50 shares of AED 1,000 each fully paid up and held by the shareholder, M/s Sakuma Exports Ltd, India, 100% holding company.

## 9 Retained earnings

| | 2016 | 2015 |
|---|---|---|
| Balance at the beginning of the year | 7,351,971 | 2,425,879 |
| Comprehensive income for the year | 11,362,211 | 4,926,092 |
| Balance at the end of the year | 18,714,182 | 7,351,971 |

## 10 Shareholders' current account

| | 2016 | 2015 |
|---|---|---|
| Balance at the beginning of the year | (55) | (55) |
| Balance at the end of the year | (55) | (55) |

## 11 Trade and other payable

| | 2016 | 2015 |
|---|---|---|
| Trade payables | 95,746,041 | 66,166,001 |
| Claim payables | 368,768 | 368,768 |
| Advance from customer | 1,009,843 | 187,383 |
| Other payables | 107,500 | 34,000 |
| | 97,232,152 | 66,756,152 |

## 12 Revenue

| | 2016 | 2015 |
|---|---|---|
| Sales | 547,795,542 | 244,878,284 |
| | 547,795,542 | 244,878,284 |

## 13 Direct cost

| | 2016 | 2015 |
|---|---|---|
| Inventories, beginning of the year | - | 974,408 |
| Purchases (including other direct expenses) | 532,269,748 | 238,197,523 |
| | 532,269,748 | 239,171,931 |
| Less: Inventories, end of the year | - | - |
| | 532,269,748 | 239,171,931 |

## 14 Selling and distribution expenses

| | 2016 | 2015 |
|---|---|---|
| Business promotion | 166,414 | 22,157 |
| Commission expenses | 1,768,780 | 73,625 |
| | 1,935,194 | 95,782 |

## 15 Administrative expenses

| | 2016 | 2015 |
|---|---|---|
| Salaries and related benefits | 1,398,434 | 545,935 |
| Rent | 139,000 | - |
| Printing and stationery | 22,977 | 1,060 |
| Travelling and entertainment | 3,502 | 16,343 |
| Legal, visa, professional and related expenses | 194,941 | 28,290 |
| Utilities & Communication | 36,986 | 29,839 |
| Insurance | 750 | - |
| Bank charges | 368,674 | 31,408 |
| Misc. expenses | 63,125 | 31,604 |
| | 2,228,389 | 684,479 |

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## 16 Financial instruments

a) *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

| b) *Categories of financial instruments* | As at March 31, **2016** | 2015 |
|---|---|---|
| *Financial assets* | | |
| Due from related parties | **151,288** | 4,415,804 |
| Trade receivables | **112,579,471** | 63,310,745 |
| Other receivables | **430,918** | - |
| Cash and bank balances | **2,834,602** | 6,431,519 |
| | **115,996,279** | 74,158,068 |
| *Financial liabilities at amortised cost* | | |
| Trade and other payable | **97,232,152** | 66,756,152 |
| | **97,232,152** | 66,756,152 |

c) *Fair values of financial instruments*

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, trade receivables, investments, due from related parties and certain other assets. Financial liabilities consist of trade payables and accruals, due to related parties, term loans, bank overdrafts and certain other liabilities.

The fair values of financial assets and liabilities are not materially different from their carrying values as at the reporting date.

## 17 Financial risk management objectives

The Entity management set out the Entity's overall business strategies and its risk management philosophy. The Entity's overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Entity. The Entity policies include financial risk management policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), liquidity risk and credit risk. Periodic reviews are undertaken to ensure that the Entity's policy guidelines are complied with.

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

a) *Foreign currency risk management*

The Entity does not have any significant exposure to currency risk, as most of its assets and liabilities are denominated in UAE Dirham and Dirham to USD conversion is pegged.



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**17 Financial risk management objectives (continued)**

b) *Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Entity's financial assets. The contractual maturities of the financial assets have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity were maintained. The maturity profile of the assets and liabilities at the financial position date based on contractual repayment arrangements were also show on the following table.

| | Interest bearing | | | Non Interest bearing | | | |
|---|---|---|---|---|---|---|---|
| **Particulars** | **On demand or less than 3 months** | **Within 1 year** | **More than 1 year** | **On demand or less than 3 months** | **Within 1 year** | **More than 1 year** | **Total** |
| | | | | **As at March 31, 2016** | | | |
| **Financial assets** | | | | | | | |
| Due from related parties | - | - | - | - | 151,288 | - | 151,288 |
| Trade receivables | - | - | - | 108,892,824 | 3,686,647 | - | 112,579,471 |
| Other receivables | - | - | - | - | 423,418 | 7,500 | 430,918 |
| Cash and bank balances | - | - | - | 2,834,602 | - | - | 2,834,602 |
| | - | - | - | 111,727,426 | 4,261,353 | 7,500 | 115,996,279 |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | - | - | - | 97,232,152 | - | - | 97,232,152 |
| | - | - | - | 97,232,152 | - | - | 97,232,152 |

| | Interest bearing | | | Non Interest bearing | | | |
|---|---|---|---|---|---|---|---|
| **Particulars** | **On demand or less** | **Within 1 year** | **More than 1 year** | **On demand or less than 3 months** | **Within 1 year** | **More than 1 year** | **Total** |
| | | | | **As at March 31, 2015** | | | |
| **Financial assets** | | | | | | | |
| Due from related parties | - | - | - | - | 4,415,804 | - | 4,415,804 |
| Trade receivables | - | - | - | 62,512,705 | 798,040 | - | 63,310,745 |
| Cash and bank balances | - | - | - | 6,431,519 | - | - | 6,431,519 |
| | - | | - | 68,944,224 | 5,213,844 | | 74,158,068 |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | - | - | - | 66,756,152 | - | - | 66,756,152 |
| | - | - | - | 66,756,152 | - | - | 66,756,152 |

## 17 Financial risk management objectives (continued)

c) *Credit risk management*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties. The Entity uses its own trading records to rate its existing customers and increase their credits limits. The Entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management regularly and the Entity maintains an allowance for doubtful debts based on expected collectability of all trade receivables.

The Entity have significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. The Entity defines counterparties as having similar characteristics if they are related entities. The carrying amounts of the financial assets recorded in the financial statements, which is net of impairment losses, represents the Entity's maximum exposure to credit risks.

## 18 Capital risk management

The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Entity's overall strategy remains unchanged from prior year.

The Entity monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by shareholders' funds. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is equivalent to shareholder funds as shown in the statement of financial position.

## 19 Contingent liabilities

Except for the ongoing business obligations which are under normal course of business against which no loss is expected, there has been no other known contingent liability on Entity's financial statements as of reporting date.

## 20 Comparative amounts

Certain amounts for the prior year were reclassified to conform to current year presentation, however such reclassification do not have a impact on the previously reported profit or equity.



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