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DIFFUSION ENGINEERS SINGAPORE PTE. LTD.

Directors' Statement for the financial year ended 31 March 2023

The directors are pleased to present the statement to the member together with the audited financial statements of DIFFUSION ENGINEERS SINGAPORE PTE. LTD. (the "Company") for the financial year ended 31 March 2023.

Opinion of the directors

In the opinion of the directors,

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2023 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Prashant Garg
Soma Garg

Arrangement to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Directors' interest in shares or debentures

According to the register of director's shareholdings to be kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations except as stated below.

Name of Directors	Direct interest		Deemed interest	
	<u>At 1.4.2022</u>	<u>At 31.3.2023</u>	<u>At 1.4.2022</u>	<u>At 31.3.2023</u>
The Company				
Prashant Garg	-	-	1,465,957	1,465,957
Immediate and Ultimate Holding Company				
Diffusion Engineers Limited				
Prashant Garg	1,465,957	1,465,957	-	-

DIFFUSION ENGINEERS SINGAPORE PTE. LTD.

Directors' Statement for the financial year ended 31 March 2022 – continued

Share options

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

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

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

Auditor

AAA ASSURANCE PAC, has expressed its willingness to accept re-appointment as auditor.

The Board of Directors,



Prashant Garg
Director



Soma Garg
Director

Singapore
20 June 2023

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
DIFFUSION ENGINEERS SINGAPORE PTE. LTD.
UEN No.: 201331882E**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DIFFUSION ENGINEERS
SINGAPORE PTE. LTD.**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DIFFUSION ENGINEERS SINGAPORE PTE. LTD. (the "Company"), which comprise the statement of financial position of the Company as at 31 March 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2023 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Directors' statement set out on pages 2 to 3.

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
DIFFUSION ENGINEERS SINGAPORE PTE. LTD.
UEN No.: 201331882E- continued**

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements.

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

As part of an audit in accordance with SSAs, we exercise professional 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.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
DIFFUSION ENGINEERS SINGAPORE PTE. LTD.
UEN No.: 201331882E- continued**

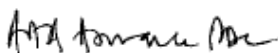
Auditor's Responsibilities for the Audit of the Financial Statements. - continued

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



**AAA ASSURANCE PAC
Public Accountants and Chartered Accountants**

**Singapore
20 June 2023**

	<u>Note</u>	<u>2023 US\$</u>	<u>2022 US\$</u>
Revenue	4	881,788	613,555
Cost of sales		<u>(832,194)</u>	<u>(531,813)</u>
Gross profit		49,594	81,742
Other income	5(a)	109	10
Administrative and other expenses	5(b)	(53,337)	(53,661)
Profit before taxation		<u>(3,634)</u>	<u>28,091</u>
Taxation	6(a)	-	(1,963)
Profit for the financial year, representing total comprehensive income for the financial year		<u><u>(3,634)</u></u>	<u><u>26,128</u></u>

	Note	2023 US\$	2022 US\$
Non-Current Assets			
Investment in associated company	7	39,227	39,227
Investment in subsidiary	8	213,625	213,625
		252,852	252,852
Current Assets			
Cash and bank balances	9	59,531	33,544
Trade receivables	10	266,262	77,318
Other receivables	11	-	18,000
		325,793	128,861
Less: Current Liability			
Trade payables	12	5,836	8,423
Accruals	13	1,963	1,963
Provision for taxation	6 (c)	225,432	22,280
		(233,232)	(32,666)
Net Current Assets		92,561	96,195
Total Net Assets		<u>3,45,413</u>	<u>3,49,047</u>
Equity			
Share capital	14	250,000	250,000
Retained earnings		95,413	99,047
Total Equity		<u>345,413</u>	<u>349,047</u>

	Share capital US\$	Retained earnings US\$	Total US\$
Balance at 01/04/2021	250,000	72,919	322,919
Profit for the year, representing total comprehensive income for the year	-	26,128	26,128
Balance at 31/03/2022	250,000	99,048	349,048
Profit for the year, representing total comprehensive income for the year	-	-3,634	-3,634
Balance at 31/03/2023	250,000	95,414	345,414

	2023	2022
	US\$	US\$
Cash flows from operating activities		
Profit before taxation	-3,634	28,091
Adjustments:		
Reversal of allowance for impairment on investment in subsidiary	-	-
Operating cash flows before working capital changes:	<u>-3,634</u>	<u>28,091</u>
Working capital changes:		
Trade receivables	(188,944)	75,783
Other receivables	18,000	14,412
Trade payables	203,152	(108,262)
Accruals	<u>(2,587)</u>	<u>(2,376)</u>
Net cash generated from/(used in) operating activities	<u>25,987</u>	<u>7,648</u>
Cash flows from financing activities		
Due from related party	-	-
Dividend receivable from subsidiary	-	-
Net cash flows generated from financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	25,987	7,648
Cash and cash equivalents at the beginning of the financial year	33,543	<u>25,896</u>
Cash and cash equivalents at the end of the financial year	<u>59,530</u>	<u>33,543</u>
Comprising of:		
Bank balances	<u>59,530</u>	<u>33,543</u>
	<u>59,530</u>	<u>33,543</u>

The annexed notes form an integral part of the audited financial statements.

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

1. General

DIFFUSION ENGINEERS SINGAPORE PTE. LTD. (the “Company”) is incorporated and domiciled in Singapore with its registered office and principal place of business at 30 Cecil Street, #19-08, Prudential Tower, Singapore 049712.

The principal activities of the Company are those of wholesale industrial machinery and equipment and other holding companies.

There has been no significant change in the nature of these activities during the financial year.

Immediate and Ultimate Holding Company

The immediate and ultimate holding company is Diffusion Engineers Limited, a company incorporated in India.

Under Financial Reporting Standard No. 110 – Consolidated Financial Statements (FRS 110), the Company is exempted from preparing consolidated financial statements as it meets all the exempt conditions under FRS 110 and its immediate and ultimate holding company, Diffusion Engineers Limited, prepares consolidated financial statements available for public use.

2. Summary of Significant Accounting Policies

Basis of preparation

The financial statements of the Company have been drawn up in accordance with Singapore Financial Reporting Standards (“FRS”). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (US\$), which is the Company’s functional currency. All financial information presented in United States Dollars has been rounded to the nearest dollar, unless otherwise indicated.

Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 April 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

2. Summary of Significant Accounting Policies – continued

Standards issued but not yet effective

The Company has not adopted the following standards applicable to the Company that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 109 Financial Instruments, FRS 39 Financial Instruments: Recognition and Measurement, FRS 107 Financial Instruments: Disclosures, FRS 104 Insurance Contracts, FRS 116 Leases: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to FRS 16 Property, Property, plant and equipment: Proceeds before Intended Use	1 January 2022
Amendments to FRS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to FRSs 2018-2020	1 January 2022
Amendments to FRS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023

The directors are still assessing the effect that the adoption of the standards above will have on the financial statements in the year of initial application.

Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

The Company sells wholesale industrial machinery and equipment.

For sale of industrial machinery and equipment, revenue is recognized when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

2. Summary of Significant Accounting Policies – continued

Revenue recognition – continued

(b) Rendering of services

The Company installs machinery and parts. The rendering of installation service is either sold separately or in bundled packages with the sale of machinery and parts. For bundled packages, the Company accounts for the sale of machinery and parts, and installation service separately. The transaction price is allocated to the sale of machinery and parts and installation services based on their relative stand-alone selling prices. Revenue from rendering of the installation services is recognized over the period when the services have been performed and rendered.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Income taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date.

Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of Significant Accounting Policies – continued

2.6 Income taxes - continued

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax asset is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. Summary of Significant Accounting Policies – continued

Income taxes – continued

(b) Deferred tax – continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

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

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognized net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognized when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

2. Summary of Significant Accounting Policies – continued

Financial instruments – continued

measurement *Investments in debt*

instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortized cost, FVOCI and FVPL. The Company only has debt instruments at amortized cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets are measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in profit or loss when the assets are derecognized or impaired, and through the amortization process.

De-recognition

A financial asset is derecognized where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income for debt instruments is recognized in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognized in profit or loss.

2. Summary of Significant Accounting Policies – continued

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Investment in subsidiary

Subsidiary is an entity over which the Company has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investment in subsidiary is stated at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investment in subsidiary, the differences between net disposal proceeds and the carrying amount of the investment is taken to the profit or loss.

The Company's exemption from preparing consolidated financial statements is stated in **Note 8** to the financial statements.

2. Summary of Significant Accounting Policies – continued

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognized in profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized previously. Such reversal is recognized in profit or loss.

Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share capital

Proceeds from issuance of ordinary shares are recognized as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and are subject to an insignificant risk of changes in value.

2. Summary of Significant Accounting Policies – continued

Investment in associated company

Associated companies are entities over which the Company has significant influence, but not control, generally accompanied by shareholdings giving rise to voting rights of 20% and above but not exceeding 50%.

Investment in associated companies is stated at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in associated companies, the differences between net disposal proceeds and the carrying amount of the investment is taken to the profit or loss.

The Company's exemption from applying the equity method of accounting for investment in associate is stated in **Note 7** to the financial statements.

Foreign currency transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting period are recognized in profit or loss.

2. Summary of Significant Accounting Policies – continued

Related party

A related party is defined as follows:

- a) A person or a close member of that person’s family is related to the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of parent of the Company.
- b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key Management Personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors are considered key management personnel

3. Significant accounting judgments and estimates

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments made in applying accounting policies

(a) Determination of functional currency

In determining the functional currency of the Company, judgment is used by the Company to determine the currency of the primary economic environment in which the Company operates. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

3. Significant accounting judgments and estimates – continued

Key Sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) Provision for Expected Credit Losses of Trade Receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company’s historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Company’s trade receivables is disclosed in **Note 16**.

The carrying amount of the Company’s trade receivables as at 31 March 2023 was US\$ 266,262 (2022: US\$77,318).

(b) Impairment of investment in associated company and subsidiary

The recoverability of this amount is assumed as on ongoing basis. An allowance for impairment is established when there is objective evidence that the investment has been impaired. Impairment loss is determined based on the review of current financial position and future forecast.

The management reviewed the current financial position and future forecast with reference to its business plan and current strategic position in the market. The carrying amount of the Company’s investment in associated company and subsidiary as at 31 March 2023 is stated in **Note 7** and **8** respectively.

4. Revenue

Disaggregation of revenue

<u>Type of good</u>	<u>2023</u> <u>US\$</u>	–	<u>2022</u> <u>US\$</u>
Wholesale industrial equipment	881,788		613,555
Service income			
Certification			
	<u>881,788</u>	–	<u>613,555</u>

4. Revenue - continued

Timing of transfer of good

At a point in time	881,788	613,555
Over time	881,788	613,555

	31.03.2023	31.03.2022	01.04.2021
	US\$	US\$	US\$
<u>Contract balances</u>			
Trade receivables	<u>266,262</u>	<u>77,318</u>	<u>153,101</u>

There are no refund liabilities that have arisen in the current and the prior year. No disclosure has been made for transaction price allocated to unsatisfied or partially unsatisfied performance obligations as at 31 March 2022 and 31 March 2021 as there are none.

5(a). Other income

	2023	2022
	US\$	US\$
Dividend income from subsidiary	-	-
Reversal of allowance for impairment on investment in subsidiary	-	-
Interest income	<u>109</u>	<u>10</u>
	<u>109</u>	<u>10</u>

5(b). Administrative and other expenses

	2023	2022
	US\$	US\$
Bad debt written off	-	-
Bank charges	2,124	6,063
Commission	1,700	3,611
Provision for expenses	4,278	-
Staff salary	33,992	35,340
Legal and professional fees	-	-
Others	<u>11,243</u>	<u>9,142</u>
	<u>53,337</u>	<u>53,661</u>

6. Taxation

	2023	2022
	US\$	US\$
(a) Current taxation		
Current taxation – on the results for the financial year	0	1962
Over provision of prior year taxation	<u>0</u>	<u>1962</u>

6. Taxation – continued

(b) Reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the financial years ended 31 March 2023 and 2022 were as follows:

	<u>2023</u> <u>US\$</u>	–	<u>2022</u> <u>US\$</u>
Profit (Loss) before taxation	(3,634)	=	28,091
Tax calculated at tax rate of 17% (2020: 17%)	0		1,962
Tax effect of non-taxable income			
Tax effect on non-deductible expenses	-		-
Tax effect of utilised losses carried forward	-		-
Tax effect on exemptions			
Others			
Tax expense	<u>0</u>	=	<u>1,962</u>

7. Investment in associated company

	<u>2023</u> <u>US\$</u>	–	<u>2022</u> <u>US\$</u>
Unquoted shares, at cost	88,570		88,570
Less: Allowance for impairment loss:			
Balance at the beginning and end of the financial year	(49,343)	–	(49,343)
	<u>39,227</u>	=	<u>39,227</u>

Name of Associate (Country of Incorporation and Place of Business)	Principle Activities	Percentage of Equity Held		Cost of Investment	
		<u>2023</u> %	<u>2022</u> %	<u>2023</u> USD	<u>2022</u> USD
*Mecdiff Sdn. Bhd. (Malaysia)	General engineering works and its related activities	<u>30</u>	<u>30</u>	<u>88,570</u>	<u>88,570</u>

*Audited by B.L. Tan & Co.

7. Investment in associated company – continued

The Company is exempt from applying the equity method of accounting for investment in associates under FRS 28 Investment in Associate and Joint Ventures, as it is exempted from preparing consolidation financial statements under FRS 110. Under Financial Reporting Standard No. 110 – Consolidated Financial Statements (FRS 110), the Company is exempted from preparing consolidated financial statements as it meets all the exempt conditions under FRS 110 and its immediate and ultimate holding company, Diffusion Engineers Limited, incorporated in India, prepares consolidated financial statements available for public use. Its immediate and ultimate holding company's registered address is at T-5 & 6, MIDC, Hingna Industrial Area, Nagpur 440016, Maharashtra, India.

The summarized financial information in respect of above associated company based on audited accounts of the associated company are as follows:

Summarised Statement of Financial Position	Mecdiff Sdn. Bhd.	
	31.12.2022	31.12.2021
	US\$	US\$
Non - Current Assets	<u>661</u>	<u>2,452</u>
Current Assets	<u>163,942</u>	<u>178,228</u>
Includes:		
- Cash and bank balances	6,821	4,921
Less: Current Liabilities	<u>(11,738)</u>	<u>(28,751)</u>
Total Net Assets	<u>152,865</u>	<u>151,929</u>

Summarised of Statement of Profit or Loss and Other Comprehensive Income	Mecdiff Sdn. Bhd.	
	31.12.2022	31.12.2021
	US\$	US\$
Turnover	<u>247,228</u>	<u>286,542</u>
Profit before taxation	8,215	8,745
Taxation	(284)	(1,156)
Profit after tax from continuing operations	<u>7,931</u>	<u>7,589</u>
Other comprehensive income	-	-
Profit for the financial year, representing total comprehensive income for the financial year	<u>7,931</u>	<u>7,589</u>

8. Investment in subsidiary

	<u>2023</u> <u>US\$</u>	<u>2022</u> <u>US\$</u>
Unquoted shares, at cost	213,625	213,625
Less: Allowance for impairment loss:		
Balance at the beginning of the financial year	-	-
(Reversal) /impairment during the financial year	-	-
Balance at the end of the financial year	<u>-</u>	<u>-</u>
	<u>213,625</u>	<u>213,625</u>

Name of Subsidiary (Country of Incorporation and Place of Business)	Principle Activities	Percentage of Equity Held		Cost of Investment	
		<u>2023</u> %	<u>2022</u> %	<u>2023</u> USD	<u>2022</u> USD
*Diffusion Wear Solutions Philippines, Inc. (Philippines)	General engineering works and export of metallurgical solution products	<u>100</u>	<u>100</u>	<u>213,625</u>	<u>213,625</u>

*Audited by Alberto C. Amarante Jr.

Under Financial Reporting Standard No. 110 – Consolidated Financial Statements (FRS 110), the Company is exempted from preparing consolidated financial statements as it meets all the exempt conditions under FRS 110 and its immediate and ultimate holding company, Diffusion Engineers Limited, incorporated in the India, prepares consolidated financial statements available for public use. Its immediate and ultimate holding company's registered address is at T-5 & 6, MIDC, Hingna Industrial Area, Nagpur 440016, Maharashtra, India.

9. Cash and bank balances

As at the reporting date, cash and bank balances are denominated in the following currencies:

	<u>2023</u> <u>US\$</u>	<u>2022</u> <u>US\$</u>
Singapore dollars	22,881	17,982
United States dollars	<u>36,650</u>	<u>15,562</u>
	<u>59,531</u>	<u>33,544</u>

10. Trade receivables

	<u>31.03.2023</u> <u>\$</u>	<u>31.03.2022</u> <u>\$</u>	<u>01.04.2021</u> <u>\$</u>
Third parties	266,262	77,318	94,221
Related parties	<u>-</u>	<u>-</u>	<u>58,880</u>
	<u>266,262</u>	<u>77,318</u>	<u>153,101</u>

As at the reporting date, the Company's trade receivables were denominated in United States Dollars.

11. Other receivables

	<u>2023</u> <u>US\$</u>	—	<u>2022</u> <u>US\$</u>
Non trade related party receivable	-		-
Dividend receivable	-		-
Bank guarantee	<u>0</u>	—	<u>18,000</u>
	<u>0</u>	=	<u>18,000</u>

12. Trade payables

	<u>2023</u> <u>US\$</u>	—	<u>2022</u> <u>US\$</u>
Related parties	<u>225,432</u>	=	<u>22,280</u>

These amounts are non-interest bearing. Trade payables are normally settled on 90 days' terms (2022: 90 days' terms).

13. Accruals

At the reporting date, accruals were denominated in Singapore Dollars.

14. Share capital

	<u>2023</u> <u>No. of Shares</u>	<u>2022</u> <u>No. of Shares</u>	<u>2023</u> <u>US\$</u>	<u>2022</u> <u>US\$</u>
<u>Issued and fully paid ordinary shares</u>				
Balance in the beginning and end of the financial year	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

15 Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions with related parties took place at terms agreed between the parties during the financial year:

Key management personnel compensation

	<u>2023</u> <u>US\$</u>	—	<u>2022</u> <u>US\$</u>
Purchases from Holding Company	832,194		531,813
Sales to subsidiary company	-		-
Sales to associate company	<u>-</u>	=	<u>-</u>

16. Financial risk management

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

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

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Company minimizes credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days or there is significant difficulty of the counterparty.

To minimize credit risk, the Company has developed and maintained the Company's credit risk grading to categories exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the company and changes in the operating results of the debtor.

16. Financial risk management – continued

Credit risk – continued

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganization
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Company categorizes a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

The Company's current credit risk grading framework comprises the following categories:

Category	Definition of category	Basis for recognizing expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12 months ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – not credit-impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

16. Financial risk management – continued

Credit risk – continued

The table below details the credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

	Note	Category	12-month or lifetime ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
31 March 2023						
Trade receivables	10	Note 1	Lifetime ECL (simplified)	266,262	-	266,262
31 March 2022						
Trade receivables	10	Note 1	Lifetime ECL (simplified)	77,318	-	77,318
Other receivables	11	Note 2	12-month ECL	18,000	-	32,412

Trade receivables (Note 1)

For trade receivables, the Company has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Company determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

	Trade receivables					Total
	Days past due					
	Not past due US\$	≤ 30 days US\$	31-60 US\$	61-90 US\$	> 90 days US\$	
31 March 2023						
ECL rate*	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default ECL*	4,686	138,725	51,912	25,723	45,215	266,261
	-	-	-	-	-	<u>266,261</u>

16. Financial risk management – continued

Credit risk – continued

	Trade receivables					Total
	Days past due					
	Not past due	≤ 30 days	31-60	61-90	> 90 days	
	US\$	US\$	US\$	US\$	US\$	US\$
31 March 2022						
ECL rate*	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	5,954	26,000	0	0	45,364	77,318
ECL*	-	-	-	-	-	<u>-</u>
						<u>77,318</u>

*Based on management’s assessment using the simplified approach, determined that there is no ECL.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company’s performance to developments affecting a particular industry.

Exposure to credit risk

The Company has no significant concentration of credit risk other than those balances comprising 98% (2022: 97%) of trade receivables. The Company has credit policies and procedures in place to minimize and mitigate its credit risk exposure.

Other receivables (Note 2)

The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

16. Financial risk management – continued

Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Company's operations are financed mainly through equity. The directors are satisfied that funds are available to finance the operations of the Company.

	Carrying amount	Contractual cash flows	One year or less
	US\$	US\$	US\$
2023			
Financial assets			
Cash and bank balances	59,531	59,531	59,531
Trade receivables	266,262	266,262	266,262
Other receivables	-	-	-
Total undiscounted financial assets	325,793	325,793	325,793
Financial liabilities			
Trade payables	225,432	225,432	225,432
Accruals	5,863	5,863	5,863
Total undiscounted financial liabilities	(231,269)	(231,269)	(231,269)
Total net undiscounted financial assets	94,524	94,524	94,524
2022			
Financial assets			
Cash and bank balances	33,544	33,544	33,544
Trade receivables	77,318	77,318	77,318
Other receivables	18,000	18,000	18,000
Total undiscounted financial assets	128,861	128,861	128,861
Financial liabilities			
Trade payables	22,280	22,280	22,280
Accruals	8,423	8,423	8,423
Total undiscounted financial liabilities	(30,703)	(30,703)	(30,703)
Total net undiscounted financial assets	98,158	98,158	98,158

16. Financial risk management – continued

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from cash and cash equivalents.

The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

(ii) *Foreign currency risk*

The Company's foreign exchange risk results mainly from cash flows from transactions denominated in foreign currencies. At present, the Company does not have any formal policy for hedging against currency risk. The Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

The Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

17. Assets and liabilities not measured at fair value

Cash and bank balances, other receivables and accruals

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

Trade receivables and trade payables

The carrying amounts of these receivables approximate their fair values as they are subject to normal trade credit terms.

18. Financial instruments by category

At the reporting date, the aggregate carrying amounts of financial assets at amortized cost and financial liabilities at amortized cost were as follows:

	2023 US\$	2022 US\$
Financial assets measured at amortized cost		
Cash and bank balances	59,531	33,544
Trade receivables	266,262	77,318
Other receivables	-	<u>18,000</u>
Total financial assets measured at amortized cost	<u>325,793</u>	<u>128,861</u>
Financial liabilities measured at amortized cost		
Trade payables	225,432	22,280
Accruals	<u>5,836</u>	<u>8,423</u>
Total financial liabilities measured at amortized cost	<u>231,269</u>	<u>30,703</u>

19. Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximize shareholder value. The capital structure of the Company comprises issued share capital and retained earnings.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes during the financial years ended 31 March 2023 and 31 March 2022.

20. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 March 2023 were authorized for issue in accordance with a resolution of the Board of Directors of the Company on the date of the director's statement.

DIFFUSION ENGINEERS SINGAPORE PTE. LTD.

(Incorporated in Singapore)

UEN No.: 201331882E

Audited Financial Statements for the financial year ended
31 March 2023

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