

DIFFUSION ENGINEERS SINGAPORE PTE. LTD.

(Incorporated in Singapore)

UEN No.: 201331882E

Audited Financial Statements for the financial year ended
31 March 2022

AAA ASSURANCE PAC
Public Accountants and Chartered Accountants
180B Bencoolen Street
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DIFFUSION ENGINEERS SINGAPORE PTE. LTD.

Directors' Statement for the financial year ended 31 March 2022

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 2022.

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 2022 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended in accordance with the provision of Companies Act 1967 and Singapore Financial Reporting Standards; 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, 1967 (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 1.4.2021</u>	<u>At 31.3.2022</u>	<u>At 1.4.2021</u>	<u>At 31.3.2022</u>
The Company				
Prashant Garg	-	-	98,143	98,143
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.

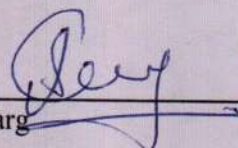
Auditor

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

The Board of Directors,

x 

Prashant Garg
Director

x 

Soma Garg
Director

Singapore
4 APR 2024



AAA ASSURANCE PAC

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CHARTERED ACCOUNTANTS

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Co. Reg. No. 201408818E

GST Reg. No. 201408818E

**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 2022, 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, 1967 (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 2022 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.

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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 unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level 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 judgement and maintain professional scepticism 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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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
4 April 2024

	<u>Note</u>	<u>2022</u> US\$	<u>2021</u> US\$
Revenue	4	613,555	500,453
Cost of sales		<u>(531,813)</u>	<u>(422,718)</u>
Gross profit		81,742	77,735
Other Income	5	10	4,335
Employee benefit expenses	6	(41,940)	(43,337)
Administrative and other expenses	7	<u>(17,693)</u>	<u>(18,916)</u>
Profit before taxation		22,119	19,817
Tax expenses	8 (c)	<u>(1,963)</u>	<u>(690)</u>
Profit for the financial year, representing total comprehensive income for the financial year		<u>20,156</u>	<u>19,127</u>

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

<u>Assets</u>	<u>Note</u>	<u>2022</u> US\$	<u>2021</u> US\$
Non-current assets			
Investment in associated company	9	39,227	39,227
Investment in subsidiary	10	<u>213,625</u>	<u>213,625</u>
		<u>252,852</u>	<u>252,852</u>
Current assets			
Cash and bank balances	11	33,544	25,896
Trade receivables	12	77,318	153,101
Other receivables	13	<u>18,000</u>	<u>32,412</u>
		<u>128,862</u>	<u>211,409</u>
Less: Current liabilities			
Trade payables	14	22,280	130,542
Accruals	15	14,395	9,610
Provision for taxation	8 (c)	<u>1,964</u>	<u>1,190</u>
		<u>(38,639)</u>	<u>(141,342)</u>
Net current assets		<u>90,223</u>	<u>70,067</u>
Total net assets		<u>343,075</u>	<u>322,919</u>
Equity			
Share Capital	16	250,000	250,000
Retained earnings		<u>93,075</u>	<u>72,919</u>
Total equity		<u>343,075</u>	<u>322,919</u>

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

	<u>Share Capital</u> US\$	<u>Retained earnings</u> US\$	<u>Total</u> US\$
Balance at 1 April 2020	250,000	53,792	303,792
Profit for the year	-	19,127	19,127
Balance at 31 March 2021	250,000	72,919	322,919
Profit for the year	-	20,156	20,156
Balance at 31 March 2022	250,000	93,075	343,075

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

	<u>2022</u> US\$	<u>2021</u> US\$
Cash flows from operating activities		
Profit before taxation	22,119	19,817
Adjustments for:		
Depreciation	-	-
Operating cash flows before working capital changes	<u>22,119</u>	<u>19,817</u>
Working capital changes:		
Trade receivables	75,783	330,188
Other receivables	14,412	(18,000)
Trade payables	(108,262)	(312,275)
Accruals	4,786	(2,849)
Cash generated from operations	<u>8,838</u>	<u>16,881</u>
Income tax paid	(1,190)	-
Net cash generated from operating activities	<u>7,648</u>	<u>16,881</u>
Cash flows from financing activities		
Due from related Party	-	3,936
Dividend receivable from subsidiary	-	(613)
Net cash generated from financing activities	<u>-</u>	<u>3,323</u>
Net increase in cash and cash equivalents	7,648	20,204
Cash and cash equivalents at the beginning of the financial year	<u>25,896</u>	<u>5,692</u>
Cash and cash equivalents at the end of the financial year	<u>33,544</u>	<u>25,896</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.

The principal activities of the subsidiary are set out in **Note 10** to the financial statements.

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

2.1 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.

2.2 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

2.3 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
FRS 117 <i>Insurance Contracts</i>	1 January 2023
Amendments to FRS 1 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to FRS 1 and FRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to FRS 8: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to FRS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to FRS 117 <i>Insurance Contracts</i>	1 January 2023
Amendments to FRS 110 and FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

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.

2.4 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 recognised 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 recognised 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 recognised 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 recognised 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

2.4 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 recognised over the period when the services have been performed and rendered.

2.5 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 recognised 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.

2.6 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 recognised in profit or loss except to the extent that the tax relates to items recognised 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 recognised 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 utilised.

Deferred tax asset is not recognised 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 utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. Summary of Significant Accounting Policies – continued

2.6 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 realised 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 recognised 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 recognised 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.

2.7 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised 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

2.7 Financial instruments – continued

Subsequent 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 amortised cost, FVOCI and FVPL. The Company only has debt instruments at amortised 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 amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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 recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised 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 recognised 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 amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2. Summary of Significant Accounting Policies – continued

2.8 Impairment of financial assets

The Company recognises 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 recognised 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 recognised 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 recognises 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.

2.9 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 10** to the financial statements.

2. Summary of Significant Accounting Policies – continued

2.10 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 recognised in profit or loss.

A previously recognised 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 recognised. 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 recognised previously. Such reversal is recognised in profit or loss.

2.11 Provisions

General

Provisions are recognised 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 recognised as a finance cost.

2.12 Share capital

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

2.13 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

2.14 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 9** to the financial statements.

2.15 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 recognised in profit or loss.

2. Summary of Significant Accounting Policies – continued

2.16 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.

3.1 Judgements 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

3.2 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 analysed.

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 12**.

The carrying amount of the Company's trade receivables as at 31 March 2022 was US\$77,318 (2021: US\$153,101).

(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 2022 are stated in **Note 9** and **10** respectively.

4. Revenue

	<u>2022</u> US\$	<u>2021</u> US\$
<u>Type of goods/service</u>		
Wholesale Industrial Equipment	613,555	477,935
Service Income	-	20,418
Certification	-	2,100
	<u>613,555</u>	<u>500,453</u>

4. Revenue - continued

	<u>2022</u> US\$	<u>2021</u> US\$
<u>Timing of Transfer of goods/service</u>		
At a point in time	613,555	480,035
Over Time	-	20,418
	<u>613,555</u>	<u>500,453</u>

	<u>31.03.2022</u> S	<u>31.03.2021</u> S	<u>01.04.2020</u> S
<u>Contract balances</u>			
Trade receivables	<u>77,318</u>	<u>153,101</u>	<u>483,289</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. Other income

	<u>2022</u> US\$	<u>2021</u> US\$
Dividend income from subsidiary	-	4,292
Other Income	10	43
	<u>10</u>	<u>4,335</u>

6. Employee benefit expenses

	<u>2022</u> US\$	<u>2021</u> US\$
<u>Employee benefits expense:</u>		
Salary and other benefits to staff	35,340	35,737
Commission	6,600	7,600
	<u>41,940</u>	<u>43,337</u>

7. Administrative and other expenses

	<u>2022</u> US\$	<u>2021</u> US\$
Bad Debts written of	-	3,937
Bank charges	1,156	6,063
Office rent	2,982	-
Exchange Rate Fluctuation	2,339	10
Other Expenses	11,216	8,906
	<u>17,693</u>	<u>18,916</u>

8. Taxation

The major components of income tax expense recognised in profit or loss for the year ended 31 March 2022 and 31 March 2021 were:

	<u>2022</u> US\$	<u>2021</u> US\$
Current income tax:		
- Current income tax	1,963	800
- (Over)/under provision in respect of previous years	-	(110)
	<u>1,963</u>	<u>690</u>

(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 2022 and 2021 were as follows:

	<u>2022</u> US\$	<u>2021</u> US\$
Profit/(loss) before tax	<u>22,119</u>	<u>19,817</u>
Tax calculated at tax rate of 17% (2021: 17%)	3,760	3,369
Tax effect of non-taxable income	-	(1,147)
Tax effect on non-deductible expenses	-	-
Tax effect of utilised losses carried forward	-	-
Tax effect on exemptions	-	(1,422)
Others	(1,797)	(110)
	<u>1,963</u>	<u>690</u>

(c) Movements in provision for taxation

	<u>2022</u> US\$	<u>2021</u> US\$
Balance at the beginning of the financial year	1,190	500
Current taxation	1,963	800
Over provision of prior year taxation	-	(110)
Tax paid	(1,190)	-
Balance at the end of the financial year	<u>1,963</u>	<u>1,190</u>

9. Investment in associated company

	<u>2022</u> US\$	<u>2021</u> US\$
Unquoted shares, at cost	88,570	88,570
Less: Allowance for impairment loss		
Balance at beginning of the financial year	49,343	49,343
(Reversal)/ impairment for the year	-	-
Balance at end of the financial year	<u>49,343</u>	<u>49,343</u>
	<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	
		2022	2021	2022	2021
		%	%	US\$	US\$
*Mecdiff Sdn. Bhd. (Malaysia)	General engineering works and its related activities	30	30	88,570	88,570

*Audited by B.L. Tan & Co.

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.

9. Investment in associated company – continued

The summarised 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 US\$	31.12.2021 US\$
Non - Current Assets	694	2,480
Current Assets	172,156	180,248
Includes:		
- Cash and bank balances	7,163	4,977
Less: Current Liabilities	(12,326)	(29,077)
Total Net Assets	160,524	153,651

Summarised of Statement of Profit or Loss and Other Comprehensive Income	Mecdiff Sdn. Bhd.	
	31.12.2022 US\$	31.12.2021 US\$
Turnover	259,615	289,790
Profit before taxation	8,627	8,844
Taxation	(299)	(1,169)
Profit after tax from continuing operations	8,328	7,675
Other comprehensive income	-	-
Profit for the financial year, representing total comprehensive income for the financial year	8,328	7,675

10. Investment in subsidiary

		<u>2022</u> US\$	<u>2021</u> US\$		
Unquoted shares, at cost		213,625	213,625		
Less: Allowance for impairment loss		-	-		
		<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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
		%	%	US\$	US\$
*DiffusionWear Solutions Philippines, Inc. (Philippines)	General engineering works and export of metallurgical solution products	100	100	213,625	213,625

*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.

11. Cash and bank balances

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

	<u>2022</u> US\$	<u>2021</u> US\$
Singapore Dollars	17,982	5,006
United States Dollars	<u>15,562</u>	<u>20,890</u>
	<u>33,544</u>	<u>25,896</u>

12. Trade receivables

	<u>2022</u> US\$	<u>2021</u> US\$
Third Parties	77,318	94,221
Related Parties	-	58,880
	<u>77,318</u>	<u>153,101</u>

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

13. Other receivables

	<u>2022</u> US\$	<u>2021</u> US\$
Dividend Receivable	-	14,412
Bank Gaurantee	18,000	18,000
	<u>18,000</u>	<u>32,412</u>

14. Trade payables

	<u>2022</u> US\$	<u>2021</u> US\$
Trade payables	22,280	130,542
	<u>22,280</u>	<u>130,542</u>

These amounts are non-interest bearing. Trade payables are normally settled on 90 days' terms (2021: 90 days' terms).

15. Accruals

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

16. Share capital

	<u>Number of shares</u>	<u>Share capital</u> US\$
<u>Issued and fully paid ordinary shares</u>		
Balance at 31 March 2021	<u>250,217</u>	<u>250,000</u>
Balance at 31 March 2022	<u>250,217</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.

17. 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:

	<u>2022</u> US\$	<u>2021</u> US\$
Purchases from Holding Company	531,813	360,689
Sales to Subsidiary company	<u>-</u>	<u>32,252</u>

18. 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 minimises 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 minimise credit risk, the Company has developed and maintained the Company's credit risk gradings to categorise 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 behaviour of the debtor, including changes in the payment status of debtors in the company and changes in the operating results of the debtor.

18. 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 reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Company categorises 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 recognising 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

18. 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	Loss Allowance	Net Carrying Amount
				US\$	US\$	US\$
31-Mar-22						
Trade receivables	12	Note 1	Lifetime ECL (simplified)	77,318	-	77,318
Other receivables	13	Note 2	12-month ECL	18,000	-	18,000
				<u>95,318</u>	<u>-</u>	<u>95,318</u>
31-Mar-21						
Trade receivables	12	Note 1	Lifetime ECL (simplified)	153,101	-	153,101
Other receivables	13	Note 2	12-month ECL	32,412	-	32,412
				<u>185,513</u>	<u>-</u>	<u>185,513</u>

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 US\$
	Days Past Due					
	Current US\$	1-30 days past due US\$	31-60 days past due US\$	61-90 days past due US\$	More than 90 days US\$	
31-Mar-22						
ECL rate*	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	24,153	-	-	4,925	48,240	77,318
ECL*						<u>-</u>
						<u>77,318</u>

18. Financial risk management – continued

Credit risk – continued

	Trade receivables					Total US\$
	Current US\$	Days Past Due				
		1-30 days past due US\$	31-60 days past due US\$	61-90 days past due US\$	More than 90 days US\$	
31-Mar-21						
ECL rate*	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	3,200	53,657	12,199	28,214	55,831	153,101
ECL*						-
						153,101

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 100% (2021: 97%) of trade receivables. The Company has credit policies and procedures in place to minimise 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.

18. 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.

<u>2022</u>	<u>Carrying amount</u> US\$	<u>Contractual cash flows</u> US\$	<u>One year or less</u> US\$
<u>Financial assets:</u>			
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	<u>128,862</u>	<u>128,862</u>	<u>128,862</u>
<u>Financial liabilities:</u>			
Trade payables	22,280	22,280	22,280
Accruals	14,395	14,395	14,395
Total undiscounted financial liabilities	<u>36,675</u>	<u>36,675</u>	<u>36,675</u>
Total net undiscounted financial assets	<u>92,187</u>	<u>92,187</u>	<u>92,187</u>
<u>2021</u>	<u>Carrying amount</u> US\$	<u>Contractual cash flows</u> US\$	<u>One year or less</u> US\$
<u>Financial assets:</u>			
Cash and bank balances	25,896	25,896	25,896
Trade receivables	153,101	153,101	153,101
Other receivables	32,412	32,412	32,412
Total undiscounted financial assets	<u>211,409</u>	<u>211,409</u>	<u>211,409</u>
<u>Financial liabilities:</u>			
Trade payables	130,542	130,542	130,542
Accruals	9,610	9,610	9,610
Total undiscounted financial liabilities	<u>140,152</u>	<u>140,152</u>	<u>140,152</u>
Total net undiscounted financial assets	<u>71,257</u>	<u>71,257</u>	<u>71,257</u>

18. 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 optimising 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.

19. 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.

20. Financial instruments by category

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

	<u>2022</u> US\$	<u>2021</u> US\$
<u>Financial assets measured at amortised cost:</u>		
Cash and bank balances	33,544	25,896
Trade receivables	77,318	153,101
Other receivables	18,000	32,412
	<u>128,862</u>	<u>211,409</u>
<u>Financial liabilities measured at amortised cost:</u>		
Trade payables	22,280	130,542
Accruals	14,395	9,610
	<u>36,675</u>	<u>140,152</u>

21. 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 maximise 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 2022 and 31 March 2021.

22. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 March 2022 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on the date of the director's statement.