

KALZIP ASIA PTE LTD
(Registration No. 199805781H)

DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

KALZIP ASIA PTE LTD

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

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KALZIP ASIA PTE LTD

DIRECTORS' STATEMENT

The directors present their statement together with the audited financial statements of the company for the financial year ended March 31, 2016.

In the opinion of the directors, the financial statements of the company as set out on pages 5 to 32 are drawn up so as to give a true and fair view of the financial position of the company as at March 31, 2016 and the financial performance, changes in equity and cash flows of the company for the financial year then ended and at the date of this statement, with the continued financial support from the intermediate holding company, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Willem Faas
Dr. Schulz Horst Dieter
Chang Mun Fai

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act.

KALZIP ASIA PTE LTD

DIRECTORS' STATEMENT

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the company were granted.

(b) *Options exercised*

During the financial year, there were no shares of the company issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under options*

At the end of the financial year, there were no unissued shares of the company under options.

5 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



.....

Dr. Schulz Horst Dieter



.....

Willem Faas

July 29, 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF KALZIP ASIA PTE LTD

Report on the Financial Statements

We have audited the accompanying financial statements of Kalzip Asia Pte Ltd (the "company") which comprise the statement of financial position as at March 31, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 32.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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.

Auditors' Responsibility

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
KALZIP ASIA PTE LTD**

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the company as at March 31, 2016 and the financial performance, changes in equity and cash flows of the company for the year ended on that date.

Emphasis of Matter

We draw attention to Notes 1 and 3 to the financial statements which indicate that the company incurred a loss of \$2,694,967 during the financial year ended March 31, 2016 and, as of that date, the total liabilities exceeded the total assets by \$18,988,265 and the total current liabilities exceeded the total current assets by \$19,905,291. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

The financial statements of the company have been prepared on a going concern basis as its intermediate holding company has undertaken to provide continuing financial support.

In the event that the going concern basis is found to be inappropriate and the company is unable to continue its operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the company may have to provide for further liabilities that may arise. No adjustments have been made in the financial statements in respect of these.

Our opinion is not modified in respect of this matter.

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.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

July 29, 2016

KALZIP ASIA PTE LTD**STATEMENT OF FINANCIAL POSITION
March 31, 2016**

	<u>Note</u>	<u>2016</u> \$	<u>2015</u> \$
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	7	661,307	357,918
Trade and other receivables	8	2,712,734	3,687,079
Deposits and prepayments	9	145,153	231,587
Inventories	10	<u>320,790</u>	<u>330,320</u>
Total current assets		<u>3,839,984</u>	<u>4,606,904</u>
Non-current asset			
Property, plant and equipment	11	<u>917,026</u>	<u>1,424,311</u>
Total assets		<u>4,757,010</u>	<u>6,031,215</u>
<u>LIABILITIES AND CAPITAL DEFICIENCY</u>			
Current liabilities			
Trade and other payables	12	5,297,433	5,662,809
Loan from a related company	13	18,000,000	15,500,000
Provision for restructuring costs	14	<u>447,842</u>	<u>1,161,704</u>
Total current liabilities		<u>23,745,275</u>	<u>22,324,513</u>
Capital and reserves			
Share capital	15	13,500,002	13,500,002
Accumulated losses		<u>(32,488,267)</u>	<u>(29,793,300)</u>
Net capital deficiency		<u>(18,988,265)</u>	<u>(16,293,298)</u>
Total liabilities, net of capital deficiency		<u>4,757,010</u>	<u>6,031,215</u>

See accompanying notes to financial statements.

KALZIP ASIA PTE LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended March 31, 2016

	<u>Note</u>	<u>2016</u> \$	<u>2015</u> \$
Revenue	16	5,611,808	5,841,266
Cost of sales		<u>(3,824,314)</u>	<u>(4,452,276)</u>
Gross profit		1,787,494	1,388,990
Other operating income	17	1,012,328	2,338,695
Distribution costs		<u>(1,271,621)</u>	<u>(2,974,424)</u>
Administrative expenses		<u>(3,410,080)</u>	<u>(6,137,604)</u>
Finance costs	5	<u>(813,088)</u>	<u>(584,778)</u>
Loss before income tax	18	<u>(2,694,967)</u>	<u>(5,969,121)</u>
Income tax credit	19	<u>-</u>	<u>60,000</u>
Loss for the year, representing total comprehensive loss for the year		<u>(2,694,967)</u>	<u>(5,909,121)</u>

See accompanying notes to financial statements.

KALZIP ASIA PTE LTD

STATEMENT OF CHANGES IN EQUITY
Year ended March 31, 2016

	<u>Share capital</u> \$	<u>Accumulated losses</u> \$	<u>Total</u> \$
Balance at April 1, 2014	13,500,002	(23,884,179)	(10,384,177)
Loss for the year, representing total comprehensive loss for the year	-	<u>(5,909,121)</u>	<u>(5,909,121)</u>
Balance at March 31, 2015	13,500,002	(29,793,300)	(16,293,298)
Loss for the year, representing total comprehensive loss for the year	-	<u>(2,694,967)</u>	<u>(2,694,967)</u>
Balance at March 31, 2016	<u>13,500,002</u>	<u>(32,488,267)</u>	<u>(18,988,265)</u>

See accompanying notes to financial statements.

KALZIP ASIA PTE LTD**STATEMENT OF CASH FLOWS****Year ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
	\$	\$
Operating activities		
Loss before income tax	(2,694,967)	(5,909,121)
Adjustments for:		
Depreciation expense	507,285	590,302
(Reversal of) Allowance for doubtful debts	(8,140)	293,816
Allowance for (Reversal of) inventory obsolescence	30,552	(359,201)
Write off of inventories	-	382,723
Gain on disposal of property, plant and equipment	-	(84,861)
Reversal of impairment loss on property, plant and equipment	-	(232,407)
Provision for restructuring costs	121,943	1,161,704
Interest income	-	(1,231)
Interest expense	<u>813,088</u>	<u>584,778</u>
Operating cash flows before movements in working capital	(1,230,239)	(3,633,498)
Trade and other receivables	982,485	2,053,896
Deposits and prepayments	86,434	(8,697)
Inventories	(21,022)	382,955
Trade and other payables	(374,547)	(1,770,747)
Provision for restructuring costs	<u>(835,805)</u>	<u>-</u>
Cash used in operations	(1,392,694)	(2,976,091)
Interest income received	-	1,292
Income tax refund	<u>-</u>	<u>60,000</u>
Net cash used in operating activities	(1,392,694)	(2,914,799)
Investing activity		
Proceeds from disposal of property, plant and equipment, representing net cash from investing activity	<u>-</u>	<u>317,268</u>
Financing activities		
Interest paid	(803,917)	(689,131)
Proceeds from borrowings	<u>2,500,000</u>	<u>3,500,000</u>
Net cash from financing activities	<u>1,696,083</u>	<u>2,810,869</u>
Net increase in cash and cash equivalents	303,389	213,338
Cash and cash equivalents at beginning of the year	<u>357,918</u>	<u>144,580</u>
Cash and cash equivalents at the end of the year	<u>661,307</u>	<u>357,918</u>

See accompanying notes to financial statements.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

1 GENERAL

The company (Registration No. 199805781H) is incorporated in Singapore with its registered office at 112 Robinson Road, #05-01, Singapore 068902. Its principal place of business is 25 Pioneer Crescent, Singapore 628554. With effect from July 27, 2015, the principal place of business had changed to 6 Pioneer Walk, 2nd floor, Singapore 627751. The financial statements are expressed in Singapore dollars.

The principal activity of the company is that of a manufacturer and supplier of roof cladding products.

The company incurred a loss for the year of \$2,694,967 during the financial year ended March 31, 2016 (2015 : \$5,909,121) and as at that date, the total liabilities exceeded the total assets by \$18,988,265 (2015 : \$16,293,298) and the total current liabilities exceeded the total current assets by \$19,905,291 (2015 : \$17,717,609). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

The financial statements of the company have been prepared on a going concern basis as its intermediate holding company has undertaken to provide continuing financial support.

In the event that the going concern basis is found to be inappropriate and the company is unable to continue its operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the company may have to provide for further liabilities that may arise. No adjustments have been made in the financial statements in respect of these.

The financial statements of the company for the year ended March 31, 2016 were authorised for issue by the Board of Directors on July 29, 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

ADOPTION OF NEW AND REVISED STANDARDS - On April 1, 2015, the company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new FRSs and Amendments to FRS that are relevant to the company were issued but not effective:

- FRS 109 *Financial Instruments* ⁽¹⁾
- FRS 115 *Revenue from Contracts with Customers* ⁽¹⁾
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative* ⁽²⁾
- Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers* ⁽¹⁾

¹ *Applies to annual periods beginning on or after January 1, 2018, with early application permitted.*

² *Applies to annual periods beginning on or after January 1, 2016, with early application permitted.*

Consequential amendments were also made to various standards as a result of these new / revised standards.

Management anticipates that the adoption of the new/revised FRSs and amendments to FRS that were issued at the date of authorisation of these financial statements but not effective will not have a material impact on the financial statements of the company in the period of their initial adoption, except as discussed below.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL).
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The company is currently estimating the effects of FRS 109 on its financial instruments in the period of initial adoption.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

In June 2016, amendments to FRS 115 was issued to provide clarifications on (i) identifying performance obligations (ii) principal versus agent considerations and (iii) licensing application guidance. The amendments also included two additional transition reliefs on contract modifications and completed contracts.

The company is currently estimating the effects of FRS 115 on its revenue contracts in the period of initial adoption.

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

The company is currently estimating the effects of Amendments to FRS 1 on its presentation of financial statements in the period of initial adoption.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income or expense is recognised on an effective interest rate basis for debt instruments.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables (including deposits) that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment losses. Interest is recognised by applying the effective interest method, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method except for short-term payables where the recognition of interest would be immaterial.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

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

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVENTORIES - Inventories are stated at the lower of cost (first-in first-out basis) and net realisable value. Cost comprises cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

	<u>Useful lives</u>
Furniture, fittings and equipment	- 3 years
Plant and machinery	- 8 years
Computers	- 3 years

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

The gain or loss arising on disposal or retirement of a property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the financial statements.

IMPAIRMENT OF NON-FINANCIAL ASSETS - At the end of each reporting period, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

i) The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

ii) The company as lessee

Payments made under operating leases (net of any incentives received from the finance lease) are taken to profit or loss on a straight-line basis over the period of lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Sale of goods

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

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

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

BORROWING COSTS - Borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The company's liability for current tax is calculated using tax rate (and tax law) that has been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss.

FOREIGN CURRENCY TRANSACTIONS - The financial statements are measured and presented in Singapore dollars which is the currency of the primary economic environment in which the company operates (its functional currency).

In preparing the financial statements, transactions in currencies other than the company's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the company's accounting policies

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements except as disclosed below.

Going concern

The company incurred a loss for the year of \$2,694,967 during the financial year ended March 31, 2016 (2015 : \$5,909,121) and as at that date, the total liabilities exceeded the total assets by \$18,988,265 (2015 : \$16,293,298) and the total current liabilities exceeded the total current assets by \$19,905,291 (2015 : \$17,717,609). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

The financial statements of the company have been prepared on a going concern basis as its intermediate holding company has undertaken to provide continuing financial support.

In the event that the going concern basis is found to be inappropriate and the company is unable to continue its operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the company may have to provide for further liabilities that may arise. No adjustments have been made in the financial statements in respect of these.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of trade receivables

Allowance for doubtful trade receivables amounting to \$1,033,616 (2015 : \$1,041,757) has been estimated on the basis of age of debts, results of recovery efforts and historical experience and past default experience. The carrying amount of trade receivables is disclosed in Note 8 to the financial statements.

Net realisable value of inventories

Allowance for inventory obsolescence amounting to \$111,713 (2015 : \$81,161) has been estimated based on the age, historical and expected future usage of inventories. The carrying amount of inventories is disclosed in Note 10 to the financial statements.

Impairment of property, plant and equipment

Management assesses property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount is less than its recoverable amount. The identification of impairment indicators and determination of recoverable amount require significant judgement and estimates.

Management has considered and assessed the value of its property, plant and equipment as of March 31, 2016 and 2015. No impairment loss has been recognised in the financial years ended March 31, 2016 and 2015.

The carrying amount of property, plant and equipment is disclosed in Note 11.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS
March 31, 2016

4 FINANCIAL RISKS AND MANAGEMENT

(a) Categories of financial instruments

The following tables set out the financial instruments as at the end of the reporting period:

	<u>2016</u>	<u>2015</u>
	\$	\$
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>3,500,352</u>	<u>4,114,107</u>
Financial liabilities		
Amortised cost	<u>23,446,833</u>	<u>22,039,599</u>

(b) Financial risk management objectives and policies

(i) Credit risk management

The company's credit risk is primarily attributable to its cash and cash equivalents, and trade and other receivables. The credit risk on liquid funds is limited as the company has placed cash with reputable financial institutions. The company has no major concentration of credit risk and it manages this risk by monitoring the credit ratings, collections from customers and limiting the aggregate financial exposure to any individual counterparty. The trade and other receivables presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on the assessment of recovery prospects.

The carrying amount of financial assets recorded in the financial statements, gross up of any allowances for losses represents the company's maximum exposure to credit risk.

Further details of credit risk on trade receivables is disclosed in Note 8.

(ii) Interest rate risk management

The company is not exposed to interest rate risk as its interest-bearing non-trade receivables due from a related company and borrowings are at fixed interest rate.

The interest rates applicable to the interest-bearing non-trade receivables due from a related company and borrowings are disclosed in Notes 8 and 13 to the financial statements respectively.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

(iii) Foreign exchange risk management

The company's foreign currency-based transactions are mainly in United States dollars, Euro and Sterling Pounds. Changes in exchange rates of foreign currencies relative to the Singapore dollars (functional currency) will impact the company's operating results.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the company's functional currency are as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$	\$	\$	\$
United States dollars	612,224	941,659	475,627	949,679
Euro	197,157	28,753	2,817,838	1,957,145
Sterling Pounds	<u>65,398</u>	<u>173,696</u>	<u>388,415</u>	<u>196,005</u>

The sensitivity used when reporting foreign currency risk to key management personnel is 10%, which is the change in foreign exchange rate that management deems reasonably possible.

If Singapore dollars weaken against the following foreign currencies, the impact to loss before income tax would be as follows:

	<u>Favourable (Unfavourable)</u> <u>impact on operating results</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
United States dollars	13,660	(802)
Euro	(262,068)	(192,839)
Sterling Pounds	<u>(32,302)</u>	<u>(2,231)</u>

Strengthening of the Singapore dollars against the respective foreign currencies would have the reverse impact of similar magnitude.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

(iv) Liquidity risk management

The intermediate holding company has committed to provide unconditional continuing financial support to enable the company to operate as a going concern to meet its obligations when they fall due. Management is satisfied that the financial support will be available when required.

All financial assets and liabilities as at March 31, 2016 and 2015 are either repayable on demand or due within 1 year from the end of the reporting period.

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables (including deposits) and trade and other payables (including loan from a related company) approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

(c) *Capital risk management policies and objectives*

The company reviews its capital structure at least annually to ensure that the company will be able to continue as a going concern. The capital structure of the company comprises borrowings disclosed in Note 13 and equity comprising share capital net of accumulated losses as presented in the company's statement of changes in equity. The company's overall strategy remains unchanged from prior year.

5 HOLDING COMPANY AND RELATED COMPANIES

The company is a subsidiary of Corus Aluminium Verwaltungsgesellschaft GmbH, incorporated in Germany. Its intermediate holding company is Tata Steel Nederland BV, incorporated in the Netherlands, while its ultimate holding company is Tata Steel Limited, incorporated in India. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

5 HOLDING COMPANY AND RELATED COMPANIES (cont'd)

Many of the company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, repayable on demand and interest-free unless otherwise stated.

Significant transactions with members of the group:

	<u>2016</u>	<u>2015</u>
	\$	\$
Sale of equipment to related companies	-	(317,265)
Sale of materials to related companies	-	(12,776)
Lease income from related companies	(537,802)	(608,577)
Payment of expenses on behalf of related companies	-	(254,946)
Payment of expenses by related companies on behalf of the company	-	241,774
Purchases of materials from related companies	1,167,064	1,790,069
Interest expense to a related company	813,088	584,778
Interest income from a related company	-	(1,231)
Other re-charges by related companies	<u>472,051</u>	<u>354,019</u>

6 OTHER RELATED PARTY TRANSACTIONS

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

Compensation of key management personnel

The remuneration of key management during the year was as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
<u>Paid to directors of the company</u>		
Salaries and other short-term employee benefits	<u>281,292</u>	<u>238,873</u>

There is no other key management except the directors.

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS
March 31, 2016

7 CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
	\$	\$
Cash at bank	660,669	355,872
Cash on hand	<u>638</u>	<u>2,046</u>
	<u>661,307</u>	<u>357,918</u>

8 TRADE AND OTHER RECEIVABLES

	<u>2016</u>	<u>2015</u>
	\$	\$
Trade receivables due from outside parties	3,420,232	3,717,396
Allowance for doubtful debts	<u>(1,033,617)</u>	<u>(1,041,757)</u>
	2,386,615	2,675,639
Trade receivables due from related companies (Note 5)	325,291	551,193
Non-trade receivables due from related companies (Note 5)	-	365,779
Advances to outside parties	-	40,824
Net Goods and Services Tax ("GST") receivables	-	52,816
Other receivables	<u>828</u>	<u>828</u>
	<u>2,712,734</u>	<u>3,687,079</u>

The average credit period on sales of goods is 60 days (2015 : 60 days). No interest is charged on the outstanding balance.

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. Allowances of \$1,033,616 (2015 : \$1,041,757) were made based on reference to past collection experience and management assessment of the risk of default.

Included in the company's trade receivable balance are debtors with a carrying amount of \$2,664,163 (2015 : \$2,568,494) which are past due at the end of the reporting period for which the company has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The aging profile of these receivables are as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
< 3 months	1,336,578	623,677
3 months to 6 months	299,048	607,109
> 6 months	<u>1,028,537</u>	<u>1,337,708</u>
	<u>2,664,163</u>	<u>2,568,494</u>

KALZIP ASIA PTE LTD**NOTES TO FINANCIAL STATEMENTS****March 31, 2016****8 TRADE AND OTHER RECEIVABLES (cont'd)**

Management believes that trade receivables that are neither past due nor impaired are with creditworthy parties.

Movement in the allowance for doubtful debts:

	<u>2016</u>	<u>2015</u>
	\$	\$
Balance at beginning of the year	1,041,757	747,941
(Decrease) Increase in allowance recognised in profit or loss	<u>(8,140)</u>	<u>293,816</u>
Balance at end of the year	<u>1,033,617</u>	<u>1,041,757</u>

In 2015, included in non-trade receivables due from related companies was \$348,167 which yielded interest ranging from 0.053% to 0.2578% and was due within 1 year. The amount has been fully repaid in 2016.

9 DEPOSITS AND PREPAYMENTS

	<u>2016</u>	<u>2015</u>
	\$	\$
Refundable deposits	126,311	162,750
Prepayments	<u>18,842</u>	<u>68,837</u>
	<u>145,153</u>	<u>231,587</u>

10 INVENTORIES

	<u>2016</u>	<u>2015</u>
	\$	\$
Raw materials	170,920	165,414
Finished goods	<u>261,583</u>	<u>246,067</u>
	432,503	411,481
Less: Allowance for inventory obsolescence	<u>(111,713)</u>	<u>(81,161)</u>
	<u>320,790</u>	<u>330,320</u>

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

11 PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture fittings and equipment</u>	<u>Plant and machinery</u>	<u>Computers</u>	<u>Total</u>
	\$	\$	\$	\$
Cost:				
At April 1, 2014	773,710	9,313,754	177,734	10,265,198
Disposals	<u>(158,912)</u>	<u>(590,338)</u>	<u>-</u>	<u>(749,250)</u>
At March 31, 2015 and 2016	<u>614,798</u>	<u>8,723,416</u>	<u>177,734</u>	<u>9,515,948</u>
Accumulated depreciation:				
At April 1, 2014	772,339	7,068,105	177,734	8,018,178
Depreciation for the year	1,371	588,931	-	590,302
Disposals	<u>(158,912)</u>	<u>(357,931)</u>	<u>-</u>	<u>(516,843)</u>
At March 31, 2015	614,798	7,299,105	177,734	8,091,637
Depreciation for the year	<u>-</u>	<u>507,285</u>	<u>-</u>	<u>507,285</u>
At March 31, 2016	<u>614,798</u>	<u>7,806,390</u>	<u>177,734</u>	<u>8,598,922</u>
Impairment:				
At April 1, 2014	-	232,407	-	232,407
Reversal of impairment loss	<u>-</u>	<u>(232,407)</u>	<u>-</u>	<u>(232,407)</u>
At March 31, 2015 and 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount:				
At March 31, 2016	<u>-</u>	<u>917,026</u>	<u>-</u>	<u>917,026</u>
At March 31, 2015	<u>-</u>	<u>1,424,311</u>	<u>-</u>	<u>1,424,311</u>

KALZIP ASIA PTE LTD**NOTES TO FINANCIAL STATEMENTS****March 31, 2016**

12 TRADE AND OTHER PAYABLES

	<u>2016</u>	<u>2015</u>
	\$	\$
Trade payables due to outside parties	721,135	907,984
Trade payables due to related companies (Note 5)	3,582,701	2,670,905
Net Goods and Services Tax ("GST") payables	26,705	-
Advances from outside parties	271,737	284,914
Other payables to outside parties	377,231	127,405
Interest payable to a related company (Note 5)	71,886	62,715
Accrued expenses	246,038	1,561,454
Refundable deposits	-	47,432
	<u>5,297,433</u>	<u>5,662,809</u>

The average credit period on purchases of goods is 60 days (2015 : 60 days). No interest is charged on the outstanding balance.

13 LOAN FROM A RELATED COMPANY

Included in the loan from a related company (Note 5) is \$1,500,000 and \$9,000,000 which is unsecured, repayable in full on June 30, 2016 and bears interest of 5.3373% and 5.3290% per annum respectively. The remaining loan of \$7,500,000 is unsecured, repayable in full on July 29, 2016 and bears interest of 5.46475% per annum.

In 2015, the loans from a related company (Note 5) of \$8,000,000 and \$7,500,000 were unsecured, repayable in full on September 30, 2015 and April 29, 2015 respectively and bore interest of 3.55% and 4.79% per annum respectively.

14 PROVISION FOR RESTRUCTURING COSTS

The provision for restructuring costs represents the present value of the directors' best estimate of the direct costs of the restructuring that are not associated with the ongoing activities of the company. The restructuring is expected to be completed in the next financial year.

	<u>Provision for restructuring costs</u>
	\$
At April 1, 2014	-
Provision during the year	1,161,704
At March 31, 2015	1,161,704
Provision during the year	121,943
Utilised	(835,805)
At March 31, 2016	<u>447,842</u>

KALZIP ASIA PTE LTD**NOTES TO FINANCIAL STATEMENTS****March 31, 2016**

15 SHARE CAPITAL

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	Number of ordinary shares		\$	\$
Issued and paid up:				
At beginning and end of the year	<u>11,500,002</u>	<u>11,500,002</u>	<u>13,500,002</u>	<u>13,500,002</u>

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends, as and when declared by the company.

16 REVENUE

	<u>2016</u>	<u>2015</u>
	\$	\$
Sale of goods	<u>5,611,808</u>	<u>5,841,266</u>

17 OTHER OPERATING INCOME

	<u>2016</u>	<u>2015</u>
	\$	\$
Gain from sale of plant and equipment	-	84,861
Income from sub-lease of office premise	463,369	1,390,106
Lease income from related company (Note 5)	537,802	608,577
Interest income from related company (Note 5)	-	1,231
Others	<u>11,157</u>	<u>253,920</u>
	<u>1,012,328</u>	<u>2,338,695</u>

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

18 LOSS BEFORE INCOME TAX

Loss before income tax includes the following charges (credits):

	<u>2016</u>	<u>2015</u>
	\$	\$
Directors' remuneration	281,292	238,873
Staff costs (including directors' remuneration)	1,092,886	2,317,902
Cost of defined contribution plans included in staff costs	20,200	169,333
Allowance for (Reversal of) inventory obsolescence	30,552	(359,201)
(Reversal of) Allowance for doubtful debts	(8,140)	293,816
Foreign currency exchange adjustment loss (gain)	57,051	(296,470)
Gain on disposal of property, plant and equipment (Note 17)	-	(84,861)
Depreciation of property, plant and equipment	507,285	590,302
Write off of inventories	-	382,723
Reversal of impairment loss on property, plant and equipment	-	(232,407)
Cost of inventories recognised as expense	3,286,477	4,222,544
Provision for restructuring costs	<u>121,943</u>	<u>1,161,704</u>

19 INCOME TAX CREDIT

	<u>2016</u>	<u>2015</u>
	\$	\$
Current income tax - overprovision in prior years	<u>-</u>	<u>(60,000)</u>

The income tax amount varied from the amount of income tax determined by applying the Singapore tax rate of 17% (2015 : 17%) to loss before income tax as a result of the following difference:

	<u>2016</u>	<u>2015</u>
	\$	\$
Loss before income tax	<u>(2,694,967)</u>	<u>(5,969,121)</u>
Income tax benefit at statutory rate	(458,144)	(1,014,751)
Non-deductible items	337,465	412,509
Overprovision in prior years	-	(60,000)
Unused tax losses and tax offsets not recognised as deferred assets	104,722	618,067
Others	<u>15,957</u>	<u>(15,825)</u>
	<u>-</u>	<u>(60,000)</u>

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

19 INCOME TAX CREDIT (cont'd)

The company has tax losses carryforward and temporary differences available for offsetting against future taxable income as follows:

	<u>Tax loss carry forward</u>	<u>Accelerated tax depreciation</u>	<u>Others</u>	<u>Total</u>
	\$	\$	\$	\$
Balance at April 1, 2014	20,911,092	1,884,890	573,264	23,369,246
Adjustment to prior year	(143,979)	-	-	(143,979)
Amount in current year	<u>2,220,000</u>	<u>542,232</u>	<u>873,458</u>	<u>3,635,690</u>
Balance at March 31, 2015	22,987,113	2,427,122	1,446,722	26,860,957
Adjustment to prior year	(93,086)	-	-	(93,086)
Amount in current year	<u>975,000</u>	<u>461,088</u>	<u>(820,078)</u>	<u>616,010</u>
Balance at March 31, 2016	<u>23,869,027</u>	<u>2,888,210</u>	<u>626,644</u>	<u>27,383,881</u>

The company has tax loss carryforwards and net temporary differences available for offsetting against future taxable income amounting to approximately \$23,869,027 (2015 : \$22,987,113) and \$3,514,854 (2015 : \$3,873,844) respectively.

Deferred tax asset amounting to \$4,655,260 (2015 : \$4,566,363) has not been recognised due to unpredictability of future profit streams.

The realisation of the future income tax benefits from tax loss carryforwards is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

20 OPERATING LEASE ARRANGEMENTS

i) *The company as lessee*

	<u>2016</u>	<u>2015</u>
	\$	\$
Minimum lease payments paid under operating leases	<u>444,748</u>	<u>2,030,667</u>

KALZIP ASIA PTE LTD

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

20 OPERATING LEASE ARRANGEMENTS (cont'd)

At the end of the reporting period, the commitments in respect of non-cancellable operating leases for the rental of office premises and certain office equipment were as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Within one year	-	1,572,399
In the second to fifth years inclusive	-	5,524,788
After five years	<u>-</u>	<u>7,170,974</u>
	<u>-</u>	<u>14,268,161</u>

At the end of the reporting period, there is no further commitments in respect of non-cancellable operating leases for the rental of office premises and certain office equipment as the 15 years lease of office premise at 25 Pioneer Crescent Singapore 628554 had been early terminated on July 31, 2015 with the landlord RBS Investor Services Trust Singapore Limited.

ii) The company as lessor

The company has entered into non-cancellable sub-leases pertaining to the rental of office premise at 25 Pioneer Crescent, Singapore 628554. Leases are negotiated and rentals are fixed for an average term of 3 years. The term for rental of office premise can be renewed for another 3 years subject to approval from the company.

As the end of the reporting period, the commitments in respect of non-cancellable operating leases for the rental of office premise were as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Within one year	<u>-</u>	<u>926,738</u>

Following the termination of the 15 years lease with the landlord RBS Investor Services Trust Singapore Limited on July 31, 2015, the company had also terminated the sub-lease with the tenant on July 31, 2015. As such, at the end of the reporting period, there is no non-cancellable operating leases for the rental of office premise.