Badve Engineering Trading FZE

Financial statements

31 March 2020

Contents

INDEPENDENT AUDITORS' REPORT

THE SHAREHOLDER'S
BADVE ENGINEERING TRADING FZE

Opinion

We have audited the financial statements of **Badve Engineering Trading FZE** ("the Establishment"), which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Establishment as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Establishment in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in UAE, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and compliance with Memorandum and Articles of Association and the applicable provisions of concerning Ras Al Khaimah Economic Zone (RAKEZ), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Establishment'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 Establishment or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Establishment's financial reporting process.

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Accountants, Auditors & Management Consultants

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Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Establishment's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 Establishment'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 Establishment to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Report on other legal and regulatory requirements

We have obtained all the information and explanations we required for the purpose of our audit, and to the best of our knowledge and belief, no breach of the Law or the Memorandum of Association has occurred during the year which would have had a material effect on the Establishment's business or financial position.

For **Rao & Ross**

Chigurupati Ranga Rao (Registration no. 106)
Ajman, United Arab Emirates
Dated: 22 October 2020

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Badve Engineering Trading FZE

Statement of financial position

As at 31 March 2020

	Notes	2020 AED	2019 AED
ASSETS			
Non-current assets			
Plant and equipment		**292,560**	-
		292,560	-
Current assets			
Inventories	7	**11,876,534**	10,561,838
Trade receivables	8	**66,591,609**	76,871,741
Advances and other receivables	9	**18,741,807**	28,006
Cash and bank balances	10	**3,968,775**	2,770,428
Duties & taxes	11	**821**	583
		101,179,546	90,232,596
TOTAL ASSETS		**101,472,106**	90,232,596
EQUITY & LIABILITIES			
Equity			
Share capital		**100,000**	100,000
Retained earnings		**3,863,567**	1,257,366
Total equity		**3,963,567**	1,357,366
Shareholder's current account	12	**70,939,796**	60,598,935
Total equity and shareholder's funds		**74,903,363**	61,956,301
LIABILITIES			
Current liabilities			
Trade and other payables	13	**26,568,743**	28,276,295
		26,568,743	28,276,295
Total current liabilities		**26,568,743**	28,276,295
TOTAL EQUITY AND LIABILITIES		**101,472,106**	90,232,596

For: Badve Engineering Trading FZE

Authorized Signatory

The attached notes 1 to 20 form part of financial statements

Badve Engineering Trading FZE

Statement of profit or loss and other comprehensive income
For the year ended 31 March 2020

	Notes	2020 AED	2019 AED
Revenue		**128,370,713**	95,978,101
Cost of revenue	14	**(121,610,398)**	(90,974,990)
Gross profit		**6,760,315**	5,003,111
Staff cost		**(44,011)**	(175,271)
Depreciation	6	**(73,140)**	-
Administrative, general & selling expenses	15	**(1,587,007)**	(1,304,530)
Interest expense		**(2,449,956)**	(2,272,916)
Total comprehensive income for the year		**2,606,201**	1,250,394

For: Badve Engineering Trading FZE
Authorized Signatory

RAO & ROSS Chartered Accountants
P.O. Box : 216
AJMAN - U.A.E.

The attached notes 1 to 20 form part of financial statements

Badve Engineering Trading FZE

Statement of cash flows

For the year ended 31 March 2020

	Notes	2020 AED	2019 AED
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		**2,606,201**	1,250,394
Adjustments for :			
Depreciation		**73,140**	-
Operating profit before working capital changes		**2,679,341**	1,250,394
(Increase) in inventories		**(1,314,696)**	(10,561,838)
Decrease / (increase) in trade receivables		**10,280,132**	(68,378,325)
(Increase) / decrease in advances and other receivables		**(18,713,801)**	7,430,887
(Increase) in duties & taxes		**(238)**	(583)
(Decrease) / increase in trade and other payables		**(1,707,552)**	22,597,768
Net cash (used in) operating activities		**(8,776,814)**	(47,661,697)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment acquiring for plant and equipment		**(365,700)**	-
Net cash (used in) investing activities		**(365,700)**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in shareholder's current account		**10,340,861**	49,324,607
Net cash from financing activities		**10,340,861**	49,324,607
Net increase in cash and cash equivalents		**1,198,347**	1,662,910
Cash and cash equivalents - beginning of year		**2,770,428**	1,107,518
Cash and cash equivalents - end of year	10	**3,968,775**	2,770,428

The attached notes 1 to 20 form part of financial statements

Badve Engineering Trading FZE

Statement of changes in equity

For the year ended 31 March 2020

	Capital	*Retained earnings*	*Total*
	AED	*AED*	*AED*
Balance at 31st March, 2018	100,000	6,972	106,972
Total comprehensive income for the year	-	1,250,394	1,250,394
Balance at 31st March, 2019	**100,000**	**1,257,366**	**1,357,366**
Total comprehensive income for the year	-	**2,606,201**	**2,606,201**
Balance at 31st March, 2020	**100,000**	**3,863,567**	**3,963,567**

Capital consists of:

100 shares of AED 1,000 each fully paid up.

The attached notes 1 to 20 form part of financial statements

1 LEGAL STATUS

1.1 **BADVE ENGINEERING TRADING FZE** is registered under Ras Al Khaimah Economic Zone – UAE. The financial statements incorporate fully the business carried on under License no. 7002780 dated 12 December 2017.

1.2 The capital of the Establishment is divided into 100 shares of AED 1,000/- each.

1.3 The registered address of the Establishment is T211F – 2H, RAKEZ Amenity Centre, Al Hamra Industrial Zone – FZ, RAK – UAE.

1.4 The Establishment is licensed for general trading, except in tobacco, alcohol trading and armaments are not permitted and subject to applicable federal and local laws, and RAKEZ Authority rules & regulations.

1.5 The Establishment is owned by M/s. Badve Engineering Limited and managed by Mr. Chandrashekhar Diwakar Chincholkar.

2 APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The following amendments to IFRSs issued are mandatorily effective for the current year.

* IFRS 9 Financial Instruments (effective 1 January 2018)
* IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
* Amendments to IFRS 2 Share-Based Payment *re: Classification and measurement of Share-based transactions* (effective 1 January 2018)
* Amendments to IAS 40 Investment Property *re: Transfers of Investment Property* (effective 1 January 2018)
* Amendments to IFRS 4 Insurance Contracts *re: applying IFRS 9 Financial Instruments* (effective 1 January 2018)
* Annual Improvements to IFRS Standards 2014-2016 Cycle (effective 1 January 2018)
* IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)
* IFRS 16 Leases (effective from 1 January 2019)
* Annual Improvements to IFRS Standards 2015-2017 Cycle (effective 1 January 2019)
* IFRIC 23 Uncertainty Over tax Treatments (effective 1 January 2019)
* Amendments to IFRS 9 *re: Prepayment Features with Negative Compensation* (effective 1 January 2019)
* Amendments to IAS 28 *re: Long Term Interests in Associates and Joint Ventures* (effective 1 January 2019)
* Amendments to IAS 19 *re: Plan Amendment, Curtailment and Settlement* (effective 1 January 2019)

Changes introduced above are summarised as under:

IFRS 9, 'Financial instruments' contains requirements for (a) classification, measurement and derecognition of financial assets and financial liabilities, (b) introduces new impairment model for financial assets, and (c) rules for hedge accounting.

(a) Classification and measurement

IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

With respect to classification and measurement of financial assets, all recognized financial assets will be measured at (a) amortised cost or (b) fair value through other comprehensive income ("FVTOCI") or (c) fair value through profit or loss ("FVTPL"). Specifically,

- debt instruments that are held within a business model whose objective is to collect contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost (less impairment losses, if any)

- debt instruments that are held within a business model whose objective is to collect contractual cash flows *and sell the debt instruments*, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at fair value through other comprehensive income (FVTOCI).

- all other debt instruments and equity instruments are measured at fair value in the statement of financial position, with fair value changes recognized in profit or loss (FVTPL) except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the equity investment at fair value through other comprehensive income (FVTOCI) (but no recycling to profit or loss) with dividend income recognized in profit or loss.

Above classification of financial assets is based on two criteria.

- the Establishment's business model for managing the assets, and
- whether the instruments contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding ('SPPI' criterion)

IFRS 9 does not change the basic accounting model for financial liabilities under IAS 39 which are either measured amortised cost or at fair value through profit or loss.

The assessment of the Establishment's business model was made at 1 January 2018, the date of initial application. Previous years' figures are not restated. The new classification and measurement of the Establishment's applicable financial assets are as follows:

	Previous Classification (under IAS 39)	**New Classification (under IFRS 9)**
Trade receivables	Loans and receivables	Amortised cost
Advances	Loans and receivables	Amortised cost
Bank and cash balances	Loans and receivables	Amortised cost

There were no changes to the carrying values of the above financial assets on transition to new classification and measurement as per IFRS 9.

The adoption of IFRS 9 has not had a significant impact on the Establishment's accounting policies for financial liabilities.

(b) Impairment on account 'expected credit loss' requirements

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity accounts for expected credit losses and changes in those expected credit losses. The new impairment model applies to financial assets measured at amortised cost, debt instruments measured at FVTOCI, finance lease and operating lease receivables, contract assets under IFRS 15, loan commitments not measured through FVTPL and financial guarantee contracts not measured at FVTPL. Generalised approach requires expected credit losses to be measured through a loss allowance account as under:

-for credit exposures where there has not been significant increase in credit risk since initial recognition, an entity is required to provide for 12 month expected credit losses (expected credit losses that result from those default events on the financial instruments that are possible within the 12 months from the reporting date)

-for credit exposures where there has been significant increase in credit risk since initial recognition on individual or collective basis, an entity is required to provide loss allowance equal to lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

There is also a simplified approach which does not require an entity to track the changes in credit risk but instead requires the entity to recognise a loss allowance based on life time expected credit loss at each reporting date. This simplified approach can be applied to trade receivables and contract assets which do not have significant financing component and lease receivables.

The Establishment has applied 'expected credit loss' requirements of IFRS 9 at 1 January 2018, the date of initial application. The adoption of expected credit loss requirements of IFRS 9 did not result in any significant changes in impairment provision.

(c) Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanism in IAS 39. However greater flexibility has been introduced to the types of transactions eligible for hedge accounting and the effectiveness test has been overhauled and replaced with the principle of 'economic relationship'.

The Establishment does not have financial assets or financial liabilities under a hedging relationship, and hence there is no impact on the Establishment for hedge account changes.

(d) Impact on opening retained profit at 1 January 2018 on transition to IFRS 9

As explained above, there is no impact on the opening retained profit on transition to IFRS 9.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will supersede the current standards on Revenue recognition as prescribed in IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Standard introduces a 5-step approach to revenue recognition as under:

-identify the contracts with a customer
-identify the performance obligations in the contract
-determine the transaction price
-allocate the transaction price to performance obligations in the contract
-recognise revenue when, or as, the entity satisfies a performance obligation (that is when control of the goods or services underlying the particular performance obligation is transferred to the customer)

An entity satisfies a performance obligation and recognizes ***revenue over time*** if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the entity's performance as it performs; or
2. The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The entity's performance does not create an asset with an alternative use to it and has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the ***point in time*** at which performance obligation is satisfied.

If the consideration promised in a contract includes a variable amount (because of discounts, rebates, refunds, credits, price concession, incentives, performance bonuses, penalties or similar items) an entity shall estimate the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. An entity shall estimate the variable consideration either based on the expected value method or the most likely amount, and recognize the same in the financial statements.

Based on the management's assessment, the application of IFRS 15 has no significant impact on the Establishment's financial statements as revenue recognition on transition to IFRS 15 is similar to revenue being recognized previously.

Impact on opening retained profit at 1 Jan 2018 on transition to IFRS 15

As explained above, there is no impact on the opening retained profit on transition to IFRS 15.

Amendments to IFRS 2 Share-Based Payment re: *Classification and measurement of Share-based transactions* provides for: the effects of vesting and non-vesting conditions on the measurement of cash-settled, share based payments: modification to the terms and conditions of share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to IAS 40 Investment Property *re: Transfers of Investment Property* clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. Change in use is restricted to completed properties but can extend to properties under construction.

Amendments to IFRS 4 Insurance Contracts *re: applying IFRS 9 Financial Instruments* addresses concern arising from the different effective dates of IFRS 9 and *IFRS 4 Insurance Contracts* and providing options in applying IFRS 9.

Annual Improvements to IFRS Standards 2014-2016 Cycle relate to

- ***IFRS 1 First Time Adoption of IFRS***: Deletion of short-term exemptions for first-time adopter.

Amendments delete certain short-term exemptions in IFRS 1 because the reporting period to which the exemptions applied have already passed.

- ***IAS 28 Investments in Associates and Joint Venture***: Measuring an associate or joint venture at fair value.

Amendments clarify that the option for a venture capital organisation and similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.

IFRIC 22 Foreign Currency Transactions and Advance Consideration addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense, or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary prepayment asset or non-monetary liability (e.g. non-refundable deposit or deferred revenue). The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration, and in case of multiple payments interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

IFRS 16, 'Leases' provides how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets ("right–of-use asset") and liabilities ("lease liability") for all leases (except for low value lease assets or short-term leases of 12 months or less). The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, if any. Short-term and low value leases are expensed either over the lease term or another systematic basis.
Lessors continue to classify leases as operating or finance, with IFRS 16's approach being substantially similar to the current version of IAS 17.

Annual Improvements to IFRS Standards 2015-2017 Cycle relate to

- IFRS 3 and IFRS 11:

Amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to IFRS 11 clarify that when an entity obtains joint control of business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12:

Amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

- IAS 23:

Amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate of general borrowings.

Amendments to IFRS 9 *re: Prepayment Features with Negative Compensation*

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments

Amendments to IAS 28 *re: Long Term Interests in Associates and Joint Ventures*

Clarifies that an entity applies IFRS 9 Financial Instruments to long term interests in associates or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Amendments to IAS 19 *re: Plan Amendment, Curtailment and Settlement*

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

3 **APPLICATION OF NEW AND AMENDED IFRSs ISSUED BUT NOT EFFECTIVE FOR THE CURRENT YEAR**

* IFRS 17 Insurance Contracts (effective from 1 January 2021)
* Amendments to IFRS 10 and IAS 28 *re: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)
* Amendments to IAS 1 and IAS 8 *re: Definition of Material* (effective 1 January 2020)
* Amendments to IFRS 3 *re: Definition of a Business* (effective 1 January 2020)

Changes introduced above are summarised as under:

IFRS 17, 'Insurance Contracts' is a new standard which provides for the principles of recognition, measurement, presentation and disclosure of insurance contracts. The objective of this Standard is to achieve the goal of a consistent principle-based accounting for insurance contracts.

Amendments to IFRS 10 and IAS 28 re: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture deal with accounting effects and treatment in situations where there is sale or contribution of assets between an investor and its associate or joint venture. Presently application of this amendment is indefinitely postponed.

Amendments to IAS 1 and IAS 8 *re: Definition of Material*

Amendments in Definition in IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Amendments to IFRS 3 *re: Definition of a Business*

Amendments in ***Definition of a Business*** in **IFRS 3** are changes to **Appendix A** *Defined Terms*, the application guidance and the illustrative examples of IFRS 3.

-clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

-narrow the definition of business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
-add guidance and illustrative examples to help entities assess whether substantive process has been acquired;

-remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continue to produce outputs; and
-add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

IFRS 16 mentioned above will be applied at the future applicable date at which time the impact on the financial position or performance of the Establishment will be evaluated and disclosed.

Management anticipates that the application of the other new and amended IFRSs/IFRIC in the future periods are not expected to have material impact on the financial position or performance of the Establishment.

4 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and applicable requirements of UAE laws. Significant accounting policies, adopted and applied consistently in dealing with items that are considered material in relation to these financial statements, are set out below.

(a) Accounting convention

The financial statements have been prepared under the historical cost convention, except for applying fair value convention to certain assets such as financial assets at fair value through profit or loss (FVTPL).

(b) Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Any gain or losses on disposal of an item of plant and equipment is recognised in profit or loss.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

An item of plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of asset is included in the statement of income in the period the asset is derecognised.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate only when it is probable that future economic benefits associated with the expenditure will flow to the Establishment and such cost can be measured reliable. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value using straight line method over their estimated useful lives, and is generally recognised in profit and loss. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Establishment will obtain ownership by the end of the leased term.

The estimated useful lives of property, plant and equipment are as follows:

- Furniture, fixtures & office equipment's 5 Years

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

(c) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is arrived at using the Weighted Average Cost (WAC) method and comprises invoice value plus applicable landing charge less discounting. Damage and obsolete inventories are written off.

(d) Provisions

Provisions are recognised when the Establishment has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(e) Financial instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards thereto are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only when the Establishment has a legal right to offset the amounts and intends to settle either on a net basis, or realise the asset and settle the liability simultaneously.

Classification and initial measurement of financial assets

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value plus transaction costs, where applicable.

Financial assets are classified into the following categories:

- amortised cost
- fair value through other comprehensive income (FVTOCI)
- fair value through profit or loss (FVTPL).

The Establishment decides the classification on initial recognition based on the cash flow characteristics of the financial instruments (viz. solely comprising of payments of interest and principal) and the business model for managing them (viz. collecting contractual cash flows, or selling them, or both).

Subsequent measurement of financial assets

(A) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
-they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
-the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is not material.

The Establishment's investments in bonds, bank and cash balances, trade receivables and advances fall into this category of financial assets.

(B) Financial assets at fair value through other comprehensive income (FVTOCI)

The Establishment accounts for financial assets at FVTOCI if the assets meet the following conditions:
- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of this financial asset.

The Establishment has the option of irrevocably classifying equity securities not held for trading, upon initial recognition at FVTOCI. However, in the case of derecognition of such equity securities, the profit or loss is not recycled to statement of profit or loss. Dividends can be recognised in profit or loss.

The Establishment has no financial asset held at FVTOCI.

(C) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. These cover financial assets held for trading, or designated at FVTPL upon initial recognition or mandatorily required to be accounted at FVTPL such as derivatives (other than effective hedging instruments), and financial assets whose contractual cash flows are not solely payments of principal and interest.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

In the previous year, financial assets comprised of four categories under IAS 39 viz.

(i) financial assets at fair value through profit or loss
(ii) held-to-maturity investments
(iii) loans and receivables, and
(iv) available-for-sale financial assets

Items (ii) and (iv) was not applicable in the previous year. Previous year categories have not been restated.

(D) Impairment of financial assets

(i) *General impairment principles*

Recognition of credit losses on financial assets is no longer dependent on the Establishment first identifying a credit loss event. Instead the Establishment considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, future conditions that affect the expected collectability of the future cash flows of the instrument.

The Establishment recognises loss allowance for expected credit loss on financial assets that are measured at amortised cost, debt instruments at FVTOCI, lease receivables, trade receivables, contract assets, loan commitment and financial guarantee contracts.

In applying this forward-looking approach, a distinction is made between:
-financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
-financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for Stage 1 category while 'lifetime expected credit losses' are recognised for the Stage 2 and Stage 3 categories.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it actually expects to receive ('cash shortfalls'). This difference is discounted at the original effective interest rate.

IFRS 9 permits a simplified approach of using historical and forward-looking information to recognise loss allowance based on life time expected credit losses in respect of trade receivables and contract receivables which do not have significant financing component and lease receivables.

(ii) *Trade receivables*

The Establishment use a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Establishment uses its historical experience for past dealings with customer, external indicators and future conditions to calculate the expected credit losses. Usually, analysis is made of individual receivable to determine impairment provision, required under ECL method.

(iii) *Advances*

For advances, analysis is made of individual balances to determine impairment provision based on lifetime expected credit loss.

(iv) *Classification and measurement of financial liabilities*

Financial liabilities are initially measured at fair value plus transaction costs, where applicable.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

The Establishment's financial liabilities include trade and other payables.

There were no financial liabilities classified at FVTPL.

(f) Equity

Share capital is classified as equity since it evidences residual interest of the owners after deducting liabilities. Dividend is deducted from the equity.

(g) Revenue recognition

The Establishment recognises revenue from contracts with customers based on a five-step model set out in IFRS 15 as under:

-identify the contracts with a customer
-identify the performance obligations in the contract
-determine the transaction price
-allocate the transaction price to performance obligations in the contract
-recognise revenue when, or as, the entity satisfies a performance obligation (that is when control of the goods or services underlying the particular performance obligation is transferred to the customer)

The Establishment satisfies a performance obligation and recognizes revenue over time if one of the following criteria is met:

(i) The customer simultaneously receives and consumes the benefits provided by the Establishment's performance as it performs; or

(ii) The Establishment's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) The Establishment's performance does not create an asset with an alternative use to it and has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which performance obligation is satisfied.

When the Establishment satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the Establishment (*akin to accrued income*). Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to contract liability *(akin to deferred income or advance received)*.

Revenue is measured at the fair value of the consideration received/receivable excluding taxes (such as VAT). The Establishment also assesses if the revenue earned is as principal or agent.

Revenue is recognized in the statement of profit or loss to the extent that it is probable that the economic benefits will flow to the Establishment and the revenue and related costs can be measured reliably. If the consideration promised in a contract includes a variable amount (because of discounts, rebates, refunds, credits, price concession, incentives, performance bonuses, penalties or similar items) the Establishment estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer, based on the most likely amount or probability weighted expected value.

The Establishment is primarily engaged in engineering services and solutions and has adopted the following accounting policies with respect to revenue recognition.

(h) Value added tax

Expenses and assets are recognised net of value added tax (VAT), except as under:

- If VAT incurred on purchase of assets or services is not recoverable from the Tax Authority, then VAT is recognised as part of the cost of acquisition of asset or as part of the expense item, as applicable

- Receivables and payables, stated in the statement of financial position, are inclusive of VAT.

(i) Other operating income

Interest income is recognised on effective yield basis.

Dividend income is recognised when the right to receive payment is established.

(j) Foreign currency transactions

Transactions in foreign currencies are translated into US Dollar at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into US Dollar at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

Assets/liabilities of foreign operations are translated to presentation currency at the year end rates and transactions are translated at actual/average rates.

(k) Current/Non-current classification

The Establishment presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is classified as current when the Establishment (a) expects to realize the asset, or intends to sell or consume it in its normal operating cycle; (b) holds the asset primarily for the purpose of trading or (c) expects to realize the asset within twelve months after the reporting period, or (d) has the asset as cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

(l) Fair value measurement principles

Following principles are applied where the Establishment's accounting policies require the determination of fair values for financial and non-financial assets and liabilities.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
-in the principal market for the asset or liability, or
-in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Establishment.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Establishment uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and reasonable under the circumstances.

Estimates and the 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 revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of accounting policies that have the most significant effect on the amounts recognised in the financial statements, and estimates 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.

Loss allowance for trade receivables

The Establishment makes an assessment of individual customers to estimate impairment provision while applying the expected credit loss on trade receivables. ECL provision is based on the ageing of the invoices of the customers, past historical credit loss experience, forward looking information on customers and the state of the economy.

Useful lives and depreciation of plant and equipment

The management periodically reviews estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

6 PLANT AND EQUIPMENT

Current year	**Furniture, fixtures & office equipment's**	**Total**
	AED	*AED*
Cost		
Add: Addition	**365,700**	**365,700**
At 31.03.2020	**365,700**	**365,700**
Depreciation		
For the year	**73,140**	**73,140**
At 31.03.2020	**73,140**	**73,140**
Net carrying amount		
At 31.03.2020	**292,560**	**292,560**

7 INVENTORIES

	2020	*2019*
	AED	*AED*
Goods in transit	**11,876,534**	10,561,838

8 TRADE RECEIVABLES

	2020	*2019*
	AED	*AED*
Trade receivables*	**66,591,609**	76,871,741
	66,591,609	76,871,741

*Ageing of trade receivables

Due for less than six months

9 ADVANCES AND OTHER RECEIVABLES

	2020	*2019*
	AED	*AED*
Advance to suppliers	**18,533,888**	-
Advance to staff	**15,250**	-
Prepayments	-	25,006
Due from related parties#	**192,669**	-
Refundable deposits	-	3,000
	18,741,807	28,006

#Represents amount due from M/s Badve Global General Trading LLC, Dubai - UAE

10 CASH & BANK BALANCES

	2020	*2019*
	AED	*AED*
Cash in hand	**3,872,910**	590,269
Cash at bank - current accounts	**95,865**	2,180,159
	3,968,775	2,770,428

11 DUTIES & TAXES

	2020	*2019*
	AED	*AED*
VAT receivables	**821**	583
	821	583

12 SHAREHOLDER'S CURRENT ACCOUNT

	2020	*2019*
	AED	*AED*
Balance - beginning of the year	**60,598,935**	11,274,328
Net movement	**10,340,861**	49,324,607
Balance - end of the year	**70,939,796**	60,598,935

Above current accounts owed to shareholder are unsecured, interest free with unspecified maturity, intended for long term use of the Establishment's business.

13 TRADE AND OTHER PAYABLES

	2020	*2019*
	AED	*AED*
Trade payables - third parties	**26,568,743**	28,259,388
Other payables	-	4,295
Accrued expenses	-	12,612
	26,568,743	28,276,295

14 COST OF REVENUE

	2020	*2019*
	AED	*AED*
Purchase and direct expenses	**121,610,398**	90,974,990
	121,610,398	90,974,990

15 ADMINISTRATIVE, GENERAL & SELLING EXPENSES

	2020	*2019*
	AED	*AED*
Rent	**143,196**	62,770
In-corporation expenses	-	27,024
Legal and professional expenses	**81,705**	35,185
Communication and utility expenses	**2,080**	3,286
Commission expenses	**1,344,206**	1,011,659
Bank charges	**11,985**	5,247
Miscellaneous expenses	**3,835**	159,359
	1,587,007	1,304,530

16 RELATED PARTY TRANSACTIONS

The Establishment in the normal course of business enters into transactions with other business enterprises that fall within the definition of a related party contained in the International Accounting Standard 24. The pricing policies and terms of these transactions are approved by the Establishment's management.

The summary of transactions entered into with related parties during the year are as under:

ii Significant transactions with related parties included in the statement of financial position are as follows:

	2020	*2019*
	AED	*AED*
(b) Due from related parties	**192,669**	-
(a) Shareholder's current account - credit	**68,981,637**	60,598,935

17 FINANCIAL RISK MANAGEMENT

Overview

The Establishment has exposure to the following risk from its use of financial instruments:

a Credit risk
b Liquidity risk
c Market risk
d Operational risk

The note present information about the Establishment exposure to each of the above risks, the Establishment objectives, policies and processes for measuring and managing risk, and Establishment management of capital. Future quantitative disclosures are included throughout this financial statement.

Risk management framework

The Management has overall responsibility for developing and monitoring the Establishment risk management

The management is responsible for setting the objectives and underlying principals of financial risk management for the Establishment. The Establishment's management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification, measurement and exposure limits. In accordance with the objectives and underlying principles approved by the shareholders.

There has been no change to the Establishment exposure to these financial risk or the manner in which it manages and measure the risk.

a Credit risk

Credit risks refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Establishment.

The Establishment seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Establishment limits its credit risk with regard to bank deposits by only dealing with reputable banks. Credit risk is limited to the carrying values of financial assets in the statement of financial position.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020	*2019*
	AED	*AED*
Trade receivables	**64,633,450**	76,871,741
Advance to suppliers	**18,533,888**	-
Advance to staff	**15,250**	-
Due from related parties#	**192,669**	-
Cash at bank - current account	**95,865**	2,180,159
	83,471,122	79,051,900

b Liquidity risk

Liquidity risk is the risk that the Establishment will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Establishment limits its liquidity risk by ensuring the adequate internally generated funds, bank facilities and funds from the shareholder are available. The Establishment's term of sale requires amounts to be paid within the range of 30 to 120 days from the date of sale. Trade payables are normally settled within 30 to 90 days from the date of purchase.

The table below summaries the maturities of the Establishment's undiscounted financial liabilities at 31 March based on contractual payment dates and current market interest rates.

At 31 March, 2019	**Less than 1 year**	**1 to 5 years**	**> 5 years**	**Total**
Trade and other payables	**26,568,743**	-	-	**26,568,743**
	26,568,743	-	-	**26,568,743**

At 31 March, 2018	Less than 1 year	1 to 5 years	> 5 years	Total
Trade and other payables	28,276,295	-	-	28,276,295
	28,276,295	-	-	28,276,295

c Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Establishment income or the value it's holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

No interest is payable on shareholder's current account.

Exchange rate risk

There is no exchange rate risk as substantially all the transactions are denominated in U.A.E Dirhams or US Dollars to which the U.A.E. Dirham is pegged.

d Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Establishment's processes, personnel, technology and infrastructure, and external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Establishment's operations.

In order to effectively manage those risks, the shareholder have approved specific strategies for the management of financial risks, which are in line with corporate objectives. These guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks that the Establishment faces.

The Establishment's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Establishment's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

18 SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no other significant events occurring after the balance sheet date, which require disclosure in the financial statements.

19 PREVIOUS YEAR'S FIGURES

Previous year's figures are re-grouped and re-arranged wherever necessary so as to conform to the current year's presentation.

20 In the opinion of the management, all the assets as shown in the financial statements are existing and realisable at the amount shown against them, and there are no liabilities against the Establishment, contingent or otherwise, not included in the above financial statements.

For: Badve Engineering Trading FZE

Authorized Signatory