

Blue Star International FZCO

Annual Accounts

2017-18

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF BLUE STAR INTERNATIONAL FZCO

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Blue Star International FZCO (the “Company”), which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the period from 18 April 2017 to 31 March 2018, 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 Company as at 31 March 2018, and its financial performance and its cash flows for the period from 18 April 2017 to 31 March 2018 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 Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, 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 the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the Implementing Regulations by Dubai Airport Free Zone Authority, 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 Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company’s financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF BLUE STAR INTERNATIONAL FZCO (continued)

Report on the Audit of the Financial Statements (continued)

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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
BLUE STAR INTERNATIONAL FZCO (continued)**

Report on Other Legal and Regulatory Requirements

As at 31 March 2018, the Company has the net assets of AED 962 thousand, which less is than 50% of its share capital. As required under Clause 53 of the Implementing Regulations No. 1/2000 issued pursuant to Law no. (2) of 1996 and its amendment no. (2) of 2000 and Clause 16.13 of the Company's Memorandum of Association, which states that where the net assets of the FZCO fall below 50% of its share capital, the Owner or directors shall, not later than 15 days from the earliest day on which that fact is known to the Owner or any director, duly notify the Licensing Department and the Owner which shall within 7 days of such notification to it, take such steps as may be appropriate to remedy the situation so as to ensure that the net assets of the FZCO are restored to at least 50% of its share capital as soon as reasonably practicable. The Company has notified this to the Licensing Department subsequent to the year end on 25 July 2018.

Except as stated above, we confirm that, in our opinion, the financial statements include in all material respects, the applicable requirements of the provisions of the Implementing Regulations by Dubai Airport Free Zone Authority and proper books of account have been maintained by the Company. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no other violations of the Implementing Regulations No. 1/2000 issued pursuant to Law no. (2) of 1996 and its amendment no. (2) of 2000 have occurred during the period from 18 April 2017 to 31 March 2018 which would have had a material effect on the business of the Company or on its financial position.

For Ernst & Young



Signed by:
Ali Eltilib
Partner
Registration No.: 1118

30 July 2018

Dubai, United Arab Emirates

Blue Star International FZCO

STATEMENT OF COMPREHENSIVE INCOME For the period from 18 April 2017 to 31 March 2018

		<i>18 April 2017 to 31 March 2018 AED'000</i>
	<i>Notes</i>	
Sales		30,438
Cost of sales		(27,279)
GROSS PROFIT		3,159
Employee benefits expense	5	(4,228)
Other expenses	6	(2,172)
Depreciation	8	(99)
Finance costs	7	(239)
Share of profit of a joint venture	9	1,305
LOSS FOR THE YEAR		(2,274)
OTHER COMPREHENSIVE INCOME		
Exchange difference on translation of a foreign operation		436
OTHER COMPREHENSIVE INCOME FOR THE YEAR		436
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,838)

The attached notes 1 to 20 form part of these financial statements.

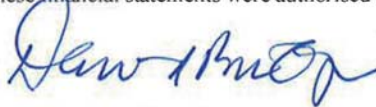
Blue Star International FZCO

STATEMENT OF FINANCIAL POSITION

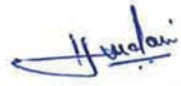
As at 31 March 2018

	<i>Notes</i>	<i>2018 AED'000</i>
ASSETS		
Non-current assets		
Property and equipment	8	794
Interests in a joint venture	9	11,071
		<u>11,865</u>
Current assets		
Trade and other receivables	10	14,440
Cash and short term deposits	11	258
		<u>14,698</u>
TOTAL ASSETS		<u><u>26,563</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	12	2,800
Accumulated losses		(2,274)
Foreign currency translation reserve		436
Total equity		<u>962</u>
Non-current liabilities		
Interest bearing loans and borrowings	13	6,026
Provisions	14	74
		<u>6,100</u>
Current liabilities		
Trade and other payables	15	9,453
Amounts due to related parties	16	9,481
Interest bearing loans and borrowings	13	402
Provisions	14	165
		<u>19,501</u>
Total liabilities		<u>25,601</u>
TOTAL EQUITY AND LIABILITIES		<u><u>26,563</u></u>

These financial statements were authorised by the Board of Directors on 23 JUL 2018 and signed on its behalf by:


 Director
 Dawood Bin Ozair




 Director
 Hasso P Dudani

The attached notes 1 to 20 form part of these financial statements.

Blue Star International FZCO

STATEMENT OF CASH FLOWS

For the period from 18 April 2017 to 31 March 2018

	<i>Notes</i>	<i>18 April 2017 to 31 March 2018 AED'000</i>
OPERATING ACTIVITIES		
Loss for the year		(2,274)
Adjustments for:		
Depreciation	8	99
Share of profits of a joint venture	9	(1,305)
Interest expense and bank charges	7	239
		<u>(3,241)</u>
Working capital changes:		
Trade and other payables		9,453
Amounts due to related parties		9,481
Provisions		239
Trade and other receivables		(14,440)
		<u>1,492</u>
Net cash flows from operating activities		<u>1,492</u>
INVESTING ACTIVITIES		
Additions to property and equipment	7	(893)
Investments in a joint venture		(9,766)
		<u>(10,659)</u>
Net cash flows used in investing activities		<u>(10,659)</u>
FINANCING ACTIVITIES		
Proceeds from interest bearing loans and borrowings		6,428
Interest and bank charges		(239)
Issue of share capital		2,800
		<u>8,989</u>
Net cash flows from financing activities		<u>8,989</u>
Movement in foreign currency translation reserve		436
		<u>436</u>
CASH AND SHORT TERM DEPOSITS AT 31 MARCH	11	<u>258</u>

The attached notes 1 to 20 form part of these financial statements.

Blue Star International FZCO

STATEMENT OF CHANGES IN EQUITY

For the period from 18 April 2017 to 31 March 2018

	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Issue of share capital (A)	2,800	-	-	2,800
Loss for the period (B)	-	(2,274)	-	(2,274)
Other comprehensive income for the year (C)	-	-	436	436
Total comprehensive loss for the year (B+C)	-	(2,274)	436	(1,838)
At 31 March 2018 (A+B+C)	2,800	(2,274)	436	962

The attached notes 1 to 20 form part of these financial statements.

Blue Star International FZCO

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2018

1 ACTIVITIES

Blue Star International FZCO (the "Company") is formed as a Free Zone Company with limited liability pursuant to Law No. 25 of 2009 and Implementing Regulations issued there under by Dubai Airport Free Zone Authority (DAFZA), Dubai, United Arab Emirates (UAE). The registered office of the Company is at P.O. Box 293719, Dubai, UAE. The Company is wholly owned by Blue Star Limited (the Parent Company), an entity incorporated in India.

The principal activities of the Company are air-condition trading, air condition and refrigeration spare parts trading, electrical and electronic appliances spare parts trading. The Company has been incorporated on 18 April 2017 and these financial statements represents the first period of operations and reporting for the Company.

2 FUNDAMENTAL ACCOUNTING CONCEPT

For the period ended 31 March 2018, the Company has incurred losses of AED 1,838 thousands and, as of that date, the Company has net current liabilities of AED 4,803 thousands and accumulated losses of AED 2,274 thousands. Note 17 sets out the Company's objectives, policies and processes for managing the Company's financial risks including capital management and provides details of the Company's exposure to credit risk, liquidity risk, currency risk and interest rate risk from financial instruments.

Management and the Board of Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate financial resources including the financial support from the shareholder and related parties to continue in business for the foreseeable future. The Shareholder has confirmed in writing to provide or arrange for financial support necessary for the continuation of the operations of the Company and to enable it to meet its obligation as they fall due in the foreseeable future.

Given that the Shareholder has committed to provide the required financial support, management is not aware of any other material uncertainties that may cast a significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.

3 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and the applicable provisions of Implementing Regulations of DAFZA and the UAE Laws.

The financial statements have been prepared on a historical cost basis. The functional currency of the Company is United States Dollars ("USD"). Management uses United Arab Emirates Dirhams ("AED") for controlling and monitoring the performance and financial position of the Company and accordingly the financial statements are presented in AED and all values are rounded to the nearest thousands (AED '000), except when otherwise indicated. As AED is currently pegged to USD, there are no exchange differences on translation from functional currency to presentation currency.

New and amended standards and interpretations

The following standards, amendments and interpretations, which are effective for annual periods beginning on or after 1 January 2017 does not have a material impact on the Company's financial statements:

- Amendments to IAS 7 – Disclosure initiative (issued in January 2016), effective for annual periods beginning on or after 1 January 2017. The amendments require companies to provide information about changes in their financing liabilities to help investors better understand changes in a company's debt. The amendments will further help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The Company has disclosed such changes in financial liabilities in Note 17 to the financial statements.
- Amendment to IAS 12 – Recognition of deferred tax assets for unrealised losses (issued in January 2016), effective for annual periods beginning on or after 1 January 2017.
- Annual improvements to IFRSs (2014-2016) (issued in December 2016). The document contains amendments to IFRS 12 that are effective for annual periods beginning on or after 1 January 2017.

These statements, amendments and interpretations do not have any material impact on the financial statements of the Company.

3 BASIS OF PREPARATION (continued)

Standards, amendments and interpretations in issue but not yet effective

The Company has not adopted the following new accounting standards, amendments and interpretations that have been issued but are either not yet effective or not early adopted.

- IFRS 9 – Financial instruments: classification and measurement (issued in October 2010), effective date is 1 January 2018, with early adoption permitted. *IFRS 9 replaces IAS 39, Financial Instruments – Recognition and Measurement.*
- IFRS 15 – Revenue from contracts with customers (issued in May 2014), effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.
- Clarifications to IFRS 15 – Revenue from contracts with customers (issued in April 2016), effective for annual periods beginning on or after 1 January 2018. The amendments clarify how to identify a performance obligation in a contract, how to determine whether a company is a principal or an agent and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.
- IFRS 16 – Leases (issued in January 2016), effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only with the adoption of IFRS 15 Revenue from Contract with Customers.
- IFRS 17 – Insurance contracts (issued in May 2017), effective for annual periods beginning or after 1 January 2021, with early adoption permitted only with the adoption of both IFRS 9 Financial instruments: classification and measurement and IFRS 15 Revenue from Contract with Customers. IFRS 17 will replace IFRS 4 Insurance Contracts. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the standard.
- Amendments to IFRS 2 – Share-based payments (issued in June 2016), effective for annual periods beginning on or after 1 January 2018. The amendments clarify how to account for certain types of share-based payment transactions.
- Annual improvements to IFRSs (2014-2016) (issued in December 2016). The document contains amendments to IFRS 1 and IAS 28 that are effective for annual periods beginning on or after 1 January 2018.
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued in December 2016), effective for annual periods beginning on or after 1 January 2018. The interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.
- IFRIC 23 – Uncertainty over income tax treatments (issued in June 2017), effective for annual periods beginning on or after 1 January 2019. The interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, and on the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

Management is currently assessing the impact of adopting IFRS 9, IFRS 15 and IFRS 16 in the period of their initial application. Other standards, amendments and interpretations are not expected to have any material impact on the Company's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is a principal in all its revenue arrangements, since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks. The specific recognition criteria described below must also be met before revenue is recognised:

Sales of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Group provides normal warranty provisions on all its products sold, in line with the industry practice. A liability is recognised at the time the product is sold.

Rendering services

Revenue from annual maintenance contracts are recognized pro-rata over the period of the contract. Commission income is recognized as and when terms of the contracts get fulfilled.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 19) for further information.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Equipment	3 years
Leasehold improvements	3 years or life based on lease period, whichever is lower
Furniture and fixtures	3 years
Office equipment	3 years
Vehicles	5 years
Computers	3 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and method of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Company's investments in its joint venture are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Company's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss within 'Share of profit of a joint venture' in the statement of comprehensive income.

Upon loss of joint control over the joint venture, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in statement of comprehensive income.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

Goods for sale - purchase cost on a moving average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

Goods in transit are recorded at cost when the rights and obligations relating to the goods are transferred to the Company.

Financial instruments – Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets comprises trade receivables and bank balances.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred assets to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive income. Interest income (recorded as finance income in the statement of comprehensive income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

ii Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's principal financial liabilities comprise trade payables, accrued expenses, provision, interest bearing loans and borrowings, other payables and due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Instalments due within one year are shown as a current liability. Interest is charged as an expense as it accrues, with unpaid amounts included in "Accounts payable and accruals".

This category generally applies to interest-bearing loans and borrowings and trade payables.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

iv. Fair value measurement

The fair values of financial instruments measured at amortised cost are disclosed in Note 18.

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 Company.

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 Company 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 categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial year. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the date of the statement of financial position.

All other assets are classified as non-current.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the date of the statement of financial position.

The Company classifies all other liabilities as non-current.

Value added taxes

Value Added Tax (VAT) has been introduced in United Arab Emirates (UAE) effective January 2018. The Company is incorporated under the laws of the Dubai Airport Freezone (DAFZA), which is exempt from VAT.

Cash and short term deposits

Cash and short term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and short term deposits consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

Cash dividends

The Company recognises a liability to pay dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate law of UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed to the statement of comprehensive income.

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer.

Employees' end of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised under selling, general and administration expense in the statement of comprehensive income on a straight-line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at the respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

5 EMPLOYEE'S BENEFITS EXPENSES

	<i>18 April 2017</i>
	<i>to</i>
	31 March 2018
	<i>AED'000</i>
Salaries, wages and bonus	3,963
Gratuity expense	74
Other employment benefits	88
Staff welfare expenses	103
	<hr/>
	4,228
	<hr/> <hr/>

Blue Star International FZCO

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2018

6 OTHER EXPENSES

	<i>18 April 2017 to 31 March 2018 AED'000</i>
Advertising and sales promotion	779
Travelling and conveyance	451
Freight and forwarding charges	212
Legal and professional fees	127
Communication expenses	40
Printing and stationery	40
Insurance	39
Commission, discounts and incentives on Sales	37
Audit fees	28
Conference Expenses	21
Foreign Exchange differences (net)	21
Repairs and maintenance- Buildings	17
Repairs and maintenance- Others	5
Rent	7
Power and fuel	1
Miscellaneous expenses	347
	<u>2,172</u>

7 FINANCE COST

	<i>18 April 2017 to 31 March 2018 AED'000</i>
Interest	91
Bank charges	148
	<u>239</u>

8 PROPERTY AND EQUIPMENT

	<i>Leasehold improvements AED'000</i>	<i>Equipment AED'000</i>	<i>Furniture & fixtures AED'000</i>	<i>Office equipment AED'000</i>	<i>Vehicles AED'000</i>	<i>Computers AED'000</i>	<i>Total AED'000</i>
Cost:							
Additions	177	36	151	136	341	52	893
At 31 March 2018	<u>177</u>	<u>36</u>	<u>151</u>	<u>136</u>	<u>341</u>	<u>52</u>	<u>893</u>
Accumulated depreciation:							
Charge for the year	28	6	24	19	14	8	99
At 31 March 2018	<u>28</u>	<u>6</u>	<u>24</u>	<u>19</u>	<u>14</u>	<u>8</u>	<u>99</u>
Net carrying amount: At 31 March 2018	<u>149</u>	<u>30</u>	<u>127</u>	<u>117</u>	<u>327</u>	<u>44</u>	<u>794</u>

Blue Star International FZCO

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2018

9 Investment in a joint venture

The Company has acquired a 49% interest in Blue Star M & E Engineering (Sdn) Bhd, a joint venture involved in the field of mechanical, electrical and plumbing contracting which include operation and maintenance of heating, ventilation and air conditioning in Malaysia. The Company's interest in Blue Star M & E Engineering (Sdn) Bhd is accounted for using the equity method in the financial statements. Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in the financial statements are set out below:

Summarised statement of financial position of Blue Star M & E Engineering (Sdn) Bhd:

	<i>2018</i> <i>AED'000</i>
Current assets, including cash and cash equivalents and prepayments	45,359
Non-current assets	11,892
Current liabilities, including tax payable	(37,642)
Non-current liabilities, including deferred tax liabilities and long-term borrowing	(4,244)
Equity	<u>15,365</u>
Company's share in equity (49%)	7,529
Goodwill	<u>3,542</u>
Company's carrying amount of the investment	<u><u>11,071</u></u>

Summarised statement of comprehensive income of Blue Star M & E Engineering (Sdn) Bhd:

	<i>18 April 2017</i> <i>to</i> <i>31 March 2018</i> <i>AED'000</i>
Revenue	28,470
Cost of sales	(19,592)
Administrative expenses, including depreciation	(4,299)
Finance costs, including interest expense	(10)
Profit before tax	<u>4,568</u>
Income tax expense	(1,906)
Profit for the year	<u><u>2,663</u></u>
Company's share of profit for the year (49%)	<u><u>1,305</u></u>

The joint venture had commitment towards non-cancellable operating leases AED 190 thousand and had contingent liabilities towards bank guarantee and performance bonds amounting to AED 12,161 thousand as at March 31, 2018. Blue Star M & E Engineering (Sdn) Bhd cannot distribute its profits without the consent from other venture partner.

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 NOTES TO THE FINANCIAL STATEMENTS
 At 31 March 2018

10 TRADE AND OTHER RECEIVABLES

	<i>2018</i> <i>AED'000</i>
Trade receivables	13,551
Prepayments	618
Advances to suppliers	236
Advances to employees	21
Balances with statutory authorities	14
	<u>14,440</u>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As at 31 March 2018, there were no impaired trade receivables.

As at 31 March 2018, the ageing analysis of unimpaired trade receivables are as follows:

<i>Total</i> <i>AED'000</i>	<i>Neither past due nor impaired</i> <i>AED'000</i>	<i>Past due but not impaired</i>				
		<i><30 days</i> <i>AED'000</i>	<i>31-60 days</i> <i>AED'000</i>	<i>61-90 days</i> <i>AED'000</i>	<i>91-180 days</i> <i>AED'000</i>	<i>>180 days</i> <i>AED'000</i>
<u>13,551</u>	<u>12,738</u>	<u>590</u>	<u>96</u>	<u>124</u>	<u>2</u>	<u>1</u>

See Note 17 on credit risk of trade receivables, which explains how the Company manages and measures credit quality of trade receivables.

11 CASH AND SHORT TERM DEPOSITS

	<i>2018</i> <i>AED'000</i>
Cash at banks	<u>258</u>

12 SHARE CAPITAL

	<i>2017</i> <i>AED'000</i>
<i>Authorised, issued and fully paid up:</i> 2,800 share of AED 1000 each	<u>2,800</u>

Blue Star International FZCO
 NOTES TO THE FINANCIAL STATEMENTS
 At 31 March 2018

13 INTEREST BEARING LOANS AND BORROWINGS

	<i>2018</i> <i>AED'000</i>
Term loan from bank	6,428
Less: Non current portion	<u>(6,026)</u>
Current portion	<u>402</u>

Term loan is obtained from a commercial bank in United Arab Emirates. It carries interest @ 3m Libor plus 1.60% p.a. and is repayable in sixteen equated quarterly instalments, of AED 402 thousand each. The loan is secured against irrecoverable corporate guarantee of the Parent Company (note 16).

The instalments due within 12 months from the date of statement of financial position are included under current liabilities.

14 PROVISIONS

	<i>2018</i> <i>AED'000</i>
Provision for employees' end of service benefits	74
Provision for leave benefits	126
Provision for warranties (note a)	<u>39</u>
	239
Less: non-current portion	<u>(74)</u>
Current portion	<u>165</u>

Note a:

A provision is recognised for standard warranty claims based on turnover during the period. The estimates of such warranty cost are revised annually.

15 TRADE AND OTHER PAYABLES

	<i>2018</i> <i>AED'000</i>
Trade payables	7,628
Accrued expenses	752
Provision for incentives	674
Advances from customers	362
Other payables	<u>37</u>
	<u>9,453</u>

See Note 17 for details of the Company's liquidity risk management process.

Blue Star International FZCO
NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2018

16 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent the Shareholder, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the statement of comprehensive income are as follows:

	<i>18 April 2017 to 31 March 2018 AED'000</i>
<i>Shareholder and Parent Company – Blue Star Limited:</i>	
Purchase of goods	14,527
Guarantee commission (included in finance costs)	23
Purchase of shares in joint venture	7,468

Balances with related parties included in the statement of financial position are as follows:

	<i>2018 AED'000</i>
<i>Amounts due to a related party:</i>	
Shareholder and Parent Company – Blue Star Limited:	9,481

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free and settlement generally occurs in cash. For the period ended 31 March 2018, the Company has not recorded any impairment of amounts owed by the related parties. The impairment assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel

Mr. Dawood Bin Ozair is the key management personnel of the Company. The remuneration of director during the period from 18 April 2017 to 31 March 2018 were as follows:

	<i>18 April 2017 to 31 March 2018</i>
Short term benefits	1,075
Employees end of service benefits	36
	1,111

Guarantee

The Company has taken term loan from a bank which is secured against irrecoverable corporate guarantee of the Parent Company (note 13).

Blue Star International FZCO

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2018

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade payables, accrued expenses, provision for incentives, current portion of provisions, interest bearing loans and borrowings and other payables. The Company's financial assets comprises trade receivables, bank balances and balance with statutory authorities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company's senior management oversees the management of these risks.

The main risks arising from these financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Company's financial risk management processes and policies relating to these risks are discussed in detail below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to the risk of changes in market interest rates relates primarily to the interest bearing loans and borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for borrowings at the reporting date. The analysis is prepared assuming that these amounts outstanding at the reporting date were outstanding throughout the year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables held constant, the Company's loss for the period end 31 March 2018 would increase/decrease by AED 64 thousands. There is no direct impact on the Company's equity other than the impact resulting from the effect on the loss for the year.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk on the following financial assets:

	<i>2018</i> <i>AED'000</i>
Trade receivables	13,551
Cash at Bank	258
Balance with statutory authorities	14
	<hr/> <u>13,823</u> <hr/>

Trade receivables

Credit risks related to trade receivables are managed subject to the Company's policy, procedures and control relating to customer credit risk management. Credit limits are established by management for all customers based on internal assessment of the credit quality of customers. Outstanding trade receivables are regularly monitored. The requirement for impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor trade receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

The Company limits its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding trade receivables.

With respect to credit risk arising from the other financial assets of the Company, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

The Company limits its credit risk with respect to bank balances by only dealing with reputable banks.

Blue Star International FZCO

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2018

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company limits its liquidity risk by retaining sufficient funds generated from operations. The Company's terms of sales require amounts to be paid within an average of 30 to 90 days from the date of sale. Trade payables are normally settled within 60 to 180 days from the date of purchase.

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

<i>At 31 March 2018</i>	<i>Less than 1 year AED'000</i>	<i>More than 1 year AED'000</i>	<i>Total AED'000</i>
Due to related parties	9,481	-	9,481
Trade payables	7,628	-	7,628
Accrued expenses	752	-	752
Interest bearing loans and borrowings	601	6,382	6,983
Provision for incentives	674	-	674
Current portion of provisions	165	-	165
Other payables	37	-	37
Total	19,338	6,382	25,720

Changes in liabilities arising from financing activities:

	<i>18 April 2018 AED'000</i>	<i>Cash flows AED'000</i>	<i>Others AED'000</i>	<i>31 March 2018 AED'000</i>
Interest bearing loans and borrowings	-	6,428	-	6,428

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risks mainly arise from sales or purchase by operating unit in foreign currencies other than the unit's functional currency.

The Company's currency transactions are principally in AED and United States Dollars (USD). The Company is exposed to currency risk arising from currency exposures, primarily with respect to the India Rupees (INR). The Company's statement of financial position is not affected significantly by movements in currencies which are currently pegged to the USD.

As at reporting date, there are no significant foreign currency risk with respect to the Company's financial assets and liabilities denominated in foreign currencies.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the period ended 31 March 2018. Capital comprises share capital, accumulated losses and foreign currency translation reserve and is measured at AED 962 thousand as at 31 March 2018.

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

The Company's principal financial liabilities comprise trade payables, accrued expenses, provision for incentives, current portion of provisions, interest bearing loans and borrowings and other payables. The Company's financial assets comprises trade receivables, bank balances and balance with statutory authorities.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The above financial assets and liabilities (except non-current portion of interest bearing loans and borrowings) approximate their carrying amounts largely due to the short term maturities of these instruments. The fair value of non-current portion of interest bearing loans and borrowings is not significantly different to its carrying value as the loans bear interest at floating rates which gets re-priced at regular intervals.

19 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Company's financial statements in conformity with the International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

As at the date of the statement of financial position, gross trade receivables were AED 13,551 thousands and no provision for doubtful debts was made. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Warranties

Provision for warranties involves a significant amount of estimation. The provision is based on the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Impairment of amounts due from related parties

An estimate of the collectible amount of due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

19 SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimates (continued)

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

20 EVENTS AFTER THE REPORTING PERIOD

No events that have a material impact on the financial statements have occurred between the statement of financial position date and 23 July 2018, the date when the Directors authorised the financial statements for issue.