Blue Star Systems and Solutions LLC
Dubai - United Arab Emirates

Report and financial statements
for the year ended 31 March 2020

Blue Star Systems and Solutions LLC

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Blue Star Systems and Solutions LLC

Directors' report
For the year ended 31 March 2020

The Directors have pleasure in submitting their report together with the audited financial statements of Blue Star Systems and Solutions LLC (the "Company") for the year ended 31 March 2020.

Principal activities

The principal activities of the Company are trading of air-conditioners and spare parts of air conditioners, refrigerators and electronic appliances, project and maintenance of air-conditioning, ventilations and air filtration systems.

Results and appropriations

The results of the Company for the year are set out in the accompanying financial statements. As there are losses for the year, no dividends were declared during the year ended 31 March 2020.

Auditors

The financial statements for the year ended 31 March 2020 have been audited by Deloitte & Touche (M.E.) and, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors:

Dawood Bin Ozair
Director
22 June 2020

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DUBAI- U.A.E.
BLUE STAR SYSTEMS AND SOLUTIONS L.L.C

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Blue Star Systems and Solutions LLC
Dubai
United Arab Emirates

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Blue Star Systems and Solutions LLC** (the "Company"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's 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.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Cont'd…

Independent Auditor's Report to the Shareholders of
Blue Star Systems and Solutions LLC, Dubai, United Arab Emirates (continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and in compliance with the applicable provisions of the articles of association of the Company and U.A.E. Federal Law No. (2) of 2015, 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 Management is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 ISA's, we exercise professional judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Deloitte.

Independent Auditor's Report to the Shareholders of
Blue Star Systems and Solutions LLC, Dubai, United Arab Emirates (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

Report on Other Legal and Regulatory Requirements

As required by the U.A.E. Federal Law No. (2) of 2015, we report that:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the U.A.E. Federal Law No. (2) of 2015;
- the Company has maintained proper books of account;
- the information included in the report of the Directors is consistent with the books of account of the Company;
- the Company has not purchased or invested in any shares during the financial year ended 31 March 2020;
- Note 15 to the financial statements discloses material related party transactions and the terms under which they were conducted; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 March 2020 any of the applicable provisions of the U.A.E. Federal Law No. (2) of 2015 or its Articles of Association which would materially affect its activities or its financial position as at 31 March 2020.

Deloitte & Touche (M.E.)

M. Jallad

Mohammad Jallad
Registration No. 1164
22 June 2020
Dubai
United Arab Emirates

Statement of financial position
As at 31 March 2020

	Notes	2020 AED'000	2019 AED'000
ASSETS			
Non-current assets			
Property and equipment	6	**665**	-
Right-of-use assets	8	**375**	-
Capital work in progress		**7**	-
Intangible assets	7	**73**	-
Other non-current assets	9	**2**	-
Total non-current assets		**1,122**	-
Current assets			
Trade and other receivables	10	**2,348**	126
Other current assets	12	**126**	-
Cash and cash equivalents	11	**151**	66
Total current assets		**2,625**	192
Total assets		**3,747**	192
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**300**	300
Accumulated losses		**(2,513)**	(108)
Total equity (deficit)		**(2,213)**	192
Non-current liabilities			
Lease liabilities		**89**	-
Provisions	15	**24**	-
Total non-current liabilities		**113**	-
Current liabilities			
Trade and other payables	16	**3,812**	-
Bank borrowings	14	**1,656**	-
Provisions	15	**81**	-
Lease liabilities		**298**	-
Total current liabilities		**5,847**	-
Total equity and liabilities		**3,747**	192

Dawood Bin Ozair

Director
Dawood Bin Ozair

بلو ستار سيستمز اند سوليوشنز ش.ذ.م.م
DUBAI- U.A.E.
BLUE STAR SYSTEMS AND SOLUTIONS L.L.C

The accompanying notes form an integral part of these financial statements.

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

	Notes	Year ended 31 March 2020 AED'000	Period from 15 August 2018 (date of incorporation) to 31 March 2019 AED'000
Sales		**4,657**	-
Cost of sales		**(4,051)**	-
Gross profit		**606**	-
Employee benefits expense	18	**(1,642)**	-
Other expenses	19	**(763)**	(108)
Depreciation and amortization expense	6, 7 & 8	**(549)**	-
Finance costs	20	**(62)**	-
Other income		**5**	-
Loss for the year/period		**(2,405)**	(108)
Other comprehensive income		**-**	-
Total comprehensive loss for the year/period		**(2,405)**	**(108)**

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 March 2020

	Share capital AED'000	Accumulated losses AED'000	Total AED'000
Issue of share capital	300	(108)	192
As at 31 March 2019	300	(108)	192
Total comprehensive loss for the year	-	(2,405)	(2405)
As at 31 March 2020	**300**	**(2,513)**	**(2,213)**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 AED'000	Period from 15 August 2018 (date of incorporation) to 31 March 2019 AED'000
Cash flows from operating activities			
Loss for the year/period		**(2,405)**	(108)
Adjustments for :			
Depreciation and amortisation	6, 7 & 8	**549**	-
Provision for employees' end of service indemnity	15 (a)	**24**	-
Finance cost	20	**62**	-
Operating profit before working capital changes		**(1,770)**	(108)
Increase in trade and other payables		**3,812**	-
Increase in provisions		**81**	-
Increase in trade and other receivables		**(2,222)**	(126)
Increase in other current and non-current assets		**(128)**	-
Net cash used in operating activities		**(227)**	(234)
Cash flows from investing activities			
Purchase of property and equipment	6	**(935)**	-
Purchase of intangible assets	7	**(83)**	
Net cash used in investing activities		**(1,018)**	-
Cash flows from financing activities			
Issue of share capital		**-**	300
Proceeds from bank borrowings		**1,656**	-
Payment of lease liabilities		**(264)**	-
Finance cost paid		**(62)**	-
Net cash from financing activities		**1,330**	300
Net increase in cash and cash equivalents		**85**	66
Cash and cash equivalents at the beginning of the year/period		**66**	-
Cash and cash equivalents at the end of the year/period	11	**151**	66

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2020

1. Company and operations

Blue Star Systems and Solutions LLC (the "Company") was formed as a limited liability pursuant to law U.A.E. Federal Law No. (2) of 2015. The registered office of the Company is at P.O. Box 239869, Dubai, UAE. The Company is beneficially fully owned by Blue International FZCO (the Parent Company), an entity incorporated in Dubai Airport Free Zone. The ultimate controlling party is Blue Star Limited, India.

The Company was incorporated on 15 August 2018. The registered office of the Company is at Showroom No 5, Al Garhood Airport, PO Box No 239869, Dubai, UAE.

The principal activities of the Company are trading of air-conditioners and spare parts of air conditioners, refrigerators and electronic appliances, project and maintenance of air-conditioning, ventilations and air filtration systems.

2. Going concern

For the year ended 31 March 2020, the Company has made a loss of AED 2,405,000 (2019: AED 108,000) and, as of that date, the Company has working capital deficit of AED 3,222,000 ; accumulated losses of AED 2,513,000 and total deficit in equity of AED 2,213,000. Note 21 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 has 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 shareholders to continue in business for the foreseeable future. The Ultimate Parent Company 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 Ultimate Parent Company 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. Application of new and revised International Financial Reporting Standards ("IFRS")

3.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements.

Impact of initial application of IFRS 16 *Leases*

IFRS 16 - Leases was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease', SIC-15 'Operating leases-incentives' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'.

3. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

3.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

Impact of initial application of IFRS 16 *Leases (continued)*

IFRS 16 is effective for annual periods commencing on or after 1 January 2019. It stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Company's financial position, unless the term is 12 months or less or the lease is for low value assets. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for lessees. For each lease, the lessee recognises a liability for future lease obligations. Correspondingly, a right to use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortised over the shorter of the asset's useful life or lease term.

The Company has adopted IFRS 16 using the modified retrospective transition approach as at 1 April 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. All right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for prepaid or accrued lease expenses). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. IFRS 16 transition disclosures also require the Company to present the reconciliation:

	AED
Operating lease commitments as at 31 March 2019	708
Discounting Impact	(50)
Lease liability recognised as at 1 April 2019	658
Of which are:	
Current lease liabilities	300
Non-current lease liabilities	358
	658

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 1 April 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the statement of financial position on 1 April 2019:

- Right-of-use assets - increase by AED 651
- Lease liabilities - increase by AED 658

Based on the approach adopted by the Company on adoption of IFRS 16 Leases, it did not result in any impact on retained earnings on 1 April 2019.

3. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

3.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

Impact of initial application of IFRS 16 *Leases (continued)*

The Company adopted IFRS 16 from 1 April 2019, which resulted in additional net charge of AED 14,000 in the statement of profit or loss and other comprehensive income account for the current period. Below are the adjustments recorded for IFRS 16 in the current year:

	Amounts before adopting IFRS 16	**Adjustments for IFRS 16**	**Amounts as reported after IFRS 16 adjustment**
Right-of-use assets	-	651	651
Lease liability	-	658	658
Depreciation on right-of- use-assets	-	276	276
Interest expense	-	30	30
Operating lease expense	-	(292)	(292)

3.2 New and revised IFRSs applied with no material effect on the financial statements

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Management of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	1 January 2019
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to* IFRS 3 *Business Combinations,* IFRS 11 *Joint Arrangements,* IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*	1 January 2019

3. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

3.2 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
The *Annual Improvements* include amendments to four Standards.	1 January 2019
IAS 12 *Income Taxes*	1 January 2019
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	
IAS 23 *Borrowing costs*	1 January 2019
The 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 on general borrowings.	
IFRS 3 *Business Combinations*	1 January 2019
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	
IFRS 11 *Joint Arrangements*	1 January 2019
The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	
All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.	
Management of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.	
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	1 January 2019

3. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

3.2 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	

3.3 New and amended IFRSs in issue but not yet effective and not early adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2021.	
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future year.

4. Summary of significant accounting policies

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

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 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.

Revenue recognition

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

- Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
- Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.
- Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognise revenue as and when the Company satisfies a performance obligation.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers (other than rental revenue), including significant payment terms, and the related revenue recognition policies with respect to ancillary revenue:

Revenue	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition under IFRS 15*
Sale of good:	Risk and rewards transfer to the customer upon transfer of goods to the customer. Invoices are generated on delivery of the equipment and revenue is recognised at that point in time. Invoices are usually payable within 90 days.	Revenue is recognised when the control of the goods has been transferred to the customer, being at the point of the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.

4. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue	***Nature and timing of satisfaction of performance obligations, including significant payment terms***	***Revenue recognition under IFRS 15***
Project Revenue	The Company provides equipment installation, contracting and maintenance services. Invoices are usually payable within 90 days from certification by the customer.	The Company recognizes service revenue by reference to the stage of completion. The Company has preliminarily assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Company and there is no alternative use for the asset to the Company. Consequently, the Company would continue to recognize revenue for these service contracts over time rather than at a point of time. The stage of completion is measured by reference to contract cost incurred to date against total estimated contract costs. No profit is taken until the outcome of the contract can be reliably estimated. Where the outcome of the contract cannot be reliably estimated, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred. Provision is made in full for all losses expected to arise on completion of the contracts entered into at the reporting date, regardless of the stage of completion and whether or not work has commenced on these contracts.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Costs comprise of all costs incurred to bring the assets to their location and working condition up to the date the assets are put to their intended use. When significant components of plant and equipment are replaced separately, the Company depreciates them based on the useful lives of the components.

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

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

Any gain or loss arising on derecognition/disposal of an asset is included in profit or loss.

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

4. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives of intangible assets are as mentioned below:

Software	3 years

Impairment of non - financial assets

Property and equipment and intangible assets with finite lives are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined for the individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount and an impairment loss is recognised in profit or loss

Employee 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.

Provision is made for amounts payable in accordance with the employees' contracts of employment applicable to their accumulated periods of service at the reporting date.

Financial instruments

Financial assets and liabilities are recognized in the Company's statement of financial position when the Company's becomes a party to the contractual provisions of the instruments.

Financial assets

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and balances with banks in current accounts.

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. These are recognised initially at cost plus directly attributable transaction costs, if any, and subsequently measured at amortised cost using effective interest rate method less provision for impairment (also referred to as ‘loss allowance’), if any.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the financial statements
for the year ended 31 March 2020 (continued)

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in trade and other receivables as well as on financial guarantee contracts, if any. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime 'Expected Credit Loss' (ECL) for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

Notes to the financial statements
for the year ended 31 March 2020 (continued)

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorised under stage 2 and lifetime ECL is recognised.

Objective evidence that debt instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Company assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the ‘other income’/‘other expenses’ line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

4. Summary of significant accounting policies (continued)

Fair value measurement

When the fair values of financial assets or financial liabilities recorded or disclosed in the financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include consideration of inputs such as liquidity risk, credit risk and volatility.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Current versus non-current classification

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

<u>An asset is current when it is:</u>

- 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.

<u>A liability is current when:</u>

- 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.

4. Summary of significant accounting policies (continued)

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

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranty provisions

The estimated liability for product warranties is recorded when products are sold. These estimates are established using management estimates regarding possible future incidence based on corrective actions on product failures. The timing of outflows will vary as and when warranty claims arise.

Lease (applicable from 1 April 2019)

The Company as lessee

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

4. Summary of significant accounting policies (continued)

Lease (continued)

The Company as lessee (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Company applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

[Leases under IAS 17, applicable before 1 April 2019]

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss on a straight-line basis over the term of relevant lease.

The Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

4. Summary of significant accounting policies (continued)

Foreign currencies

Income and expenses in foreign currencies are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing on the reporting date and exchange gains and losses arising on settlement and restatement are recognised in profit or loss. Foreign currency denominated non-monetary assets and liabilities that are measured at historical cost are not retranslated.

5. Critical accounting judgment and key sources of estimation uncertainty

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 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.

In the process of applying the Company's accounting policies, which are described in Note 4 to the financial statements, management made the following judgement that have significant effect on the amounts recognised in the financial statements.

Impact of COVID-19

In January 2020, the World Health Organization ("WHO") announced a global health emergency due to the outbreak of coronavirus ("COVID-19"). Based on the rapid increase in exposure and infections across the world, WHO, in March 2020, classified the COVID-19 outbreak as a pandemic. The pandemic nature of this disease has necessitated global travel restrictions and lockdowns in most countries of the world including the UAE, causing global disruption to business and economic activities.

The Company is closely monitoring the situation to manage the potential business disruption on its operations and financial performance. The unprecedented nature of the pandemic, the high degree of uncertainty related to its evolution, duration and impact on the economy in general and the Company's business in particular, make the quantification of its adverse impact difficult to assess accurately.

As the situation is rapidly evolving, the Company will continue to monitor the situation and keep adjusting it's critical judgements and estimates, as necessary, during the course of 2020.

Revenue recognition

Management has considered the detailed criteria for the recognition of revenue of the performance obligations at a point of time at which a customer obtained control of a promised goods or services as set out in IFRS 15 *Revenue from Contracts with Customers*. Based on the acceptance by the customer of the liability for the goods sold, management is satisfied that the customer obtains control of a promised goods or services.

Key sources of estimation uncertainty

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.

5. Critical accounting judgment and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Expected credit loss calculation

The Company applies the Expected credit loss model (ECL) in accordance with IFRS 9. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

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

The Company generally offers warranties for its manufactured products. The Company provides warranties to customers on the performance of their products for a period of 1 to 5 years. The warranty provision was calculated based on the prior years' experience of actual costs incurred, recent trends and current best estimates of the expenditure required to settle the Company's obligation.

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.

Notes to the financial statements
for the year ended 31 March 2020 (continued)

6. Property and equipment

	Leasehold improvements AED'000	Equipment AED'000	Office equipment AED'000	Vehicles AED'000	Computers AED'000	Total AED'000
Cost						
At 31 March 2019	-	-	-	-	-	-
Additions	484	262	58	65	59	928
At 31 March 2020	**484**	**262**	**58**	**65**	**59**	**928**
Accumulated depreciation						
At 31 March 2019	-	-	-	-	-	-
Charge for the year	147	69	18	10	19	263
At 31 March 2020	**147**	**69**	**18**	**10**	**19**	**263**
Carrying amount						
At 31 March 2020	**337**	**193**	**40**	**55**	**40**	**665**
At 31 March 2019	-	-	-	-	-	-

Notes to the financial statements
for the year ended 31 March 2020 (continued)

7. Intangible assets

	Software AED'000
Cost	
At 31 March 2019	-
Additions	83
At 31 March 2020	**83**
Amortisation and impairment	
At 31 March 2019	-
Charge for the year	10
At 31 March 2020	**10**
Carrying amount	
At 31 March 2020	**73**
At 31 March 2019	-

8. Right to use assets

	Leasehold Improvements AED'000
Cost	
Cumulative effect of first time adoption of IFRS 16 (Note 3)	**651**
Additions during year	**-**
At 31 March 2020	**651**
Accumulated depreciation	
Charge for the year	**276**
At 31 March 2020	**276**
Net book value at 31 March 2020	**375**

Notes to the financial statements
for the year ended 31 March 2020 (continued)

9. Other non-current assets

	2020 **AED'000**	2019 AED'000
Capital advance	**2**	-

10. Trade and other receivables

	2020 **AED'000**	2019 AED'000
Trade receivables	**1,762**	-
Prepayments	**62**	-
Advances to suppliers	**108**	-
Receivables from employees	**47**	-
Other deposits	**19**	-
Receivable from related party (Note 17)	**350**	126
	2,348	126

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

As at 31 March 2020 there were no impaired amounts towards trade receivables (refer Note 21 for ageing of trade receivables).

The Company measured the expected credit losses at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

11. Cash and cash equivalents

	2020 **AED'000**	2019 AED'000
Balances with banks	**151**	66
	151	66

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central bank of U.A.E. Accordingly, the management of the Company estimates the loss allowance on balances with bank at the end of the reporting period at an amount equal to 12 month ECL. None of the balance with bank at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

12. Other current assets

	2020 **AED'000**	2019 AED'000
Amount due from customers (Note 21)	**126**	-
	126	-

13. Share capital

Equity Shares of AED 1,000 each issued, subscribed & fully paid up	**No.**	**AED'000**
Authorised, issued and fully paid up 300 shares of AED 1000 each	**300**	**300**
At 31 March 2019		
Yaqoob Ali Talib Alkhajeh	**153**	**153**
Blue Star International FZCO	**147**	**147**
At 31 March 2020 and 31 March 2019	**300**	**300**

14. Bank borrowings

	2020 **AED'000**	2019 AED'000
Overdraft from bank	**1,656**	-

Overdraft facility represents unsecured borrowings obtained from a commercial bank in United Arab Emirates. It carries interest at LIBOR plus 2.50% p.a.

15. Provisions

	2020 **AED'000**	2019 AED'000
Provision for employee benefits		
Provision for employees' end of service indemnity [Note 15 (a)]	**24**	-
Provision for leave benefits [Note 15(b)]	**76**	-
Provision for warranties [Note 15(c)]	**5**	-
	105	-
Less: Non-current portion	**(24)**	-
Current portion	**81**	-

15. Provisions (continued)

a) Provision for employees' end of service indemnity

	2020 **AED'000**	2019 AED'000
At the beginning of the year	**-**	-
Charge for the year	**24**	-
Paid during the year	**-**	-
	24	-

b) Provision for leave benefits

	2020 **AED'000**	2019 AED'000
At the beginning of the year	**-**	-
Charge for the year	**76**	-
Paid during the year	**-**	-
At the end of the year	**76**	-

c) Provision for warranties

Provision for warranty costs in respect of products sold which are still under warranty is based on the best estimate of the expenditure that will be required to settle the present obligation at the end of the reporting period.

	2020 **AED'000**	2019 AED'000
At the beginning of the year	**-**	-
Charge for the year	**19**	-
Paid during the year	**(14)**	-
At the end of the year	**5**	-

16. Trade and other payables

	2020 **AED'000**	2019 AED'000
Trade payables	**2,262**	-
Advances from customers	**29**	-
Payable to related party (Note 17)	**1,521**	-
	3,812	-

17. 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:

	2020 AED'000	2019 AED'000
Blue Star Limited (Ultimate Parent Company)		
Purchase of goods	**1,221**	-
Blue Star International FZCO (Parent Company)		
Short Term Interest Free Loan	**1,521**	-
Service Job Sales	**350**	-

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

	2020 AED'000	2019 AED'000
Due from related parties		
Parent Company - Blue Star International FZCO (Note 10)	**350**	126
Short term loan from a related party		
Parent Company – Blue Star International FZCO (Note 16)	**1,521**	-

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 2020, 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.

The management of the Company estimates the allowance on due from related party balances at the end of the reporting period at an amount equal to lifetime ECL. None of the receivable balances from related parties at the end of the reporting period are past due, and taking into account the historical default experience and the future prospects of the industries in which the related parties operate, management of the Company consider that no related party balances are impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowance for balances due from related parties.

Short term loan is unsecured, interest free and payable within one year from the report date.

18. Employee benefits expense

	2020 AED'000	2019 AED'000
Salaries, wages and bonus	**1,330**	-
Gratuity expense	**21**	-
Other employment expenses	**80**	-
Staff welfare expenses	**211**	-
	1,642	-

19. Other expenses

	Year ended 31 March 2020 AED'000	Period from 15 August 2018 (date of incorporation) to 31 March 2019 AED'000
Freight and forwarding charges	**127**	-
Advertising and sales promotion	**116**	-
Travelling and conveyance	**44**	-
Rent	**133**	
Power and fuel	**35**	-
Legal and professional fees	**63**	108
Communication expenses	**67**	-
Insurance	**1**	-
Audit fees	**51**	-
Repairs and maintenance buildings	**16**	-
Printing and stationery	**19**	-
Repairs and maintenance others	**1**	-
Miscellaneous expenses	**90**	-
	763	**108**

20. Finance costs

	2020 AED'000	2019 AED'000
Interest	**53**	-
Bank charges	**9**	-
	62	-

21. Financial risk management objectives and policies

The Company's principal financial liabilities comprise trade payables, accrued expenses, provision for incentives and 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:

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 following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base:

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

	2020 AED'000	2019 AED'000
Trade receivables	**1,762**	-
Other current assets	**126**	-
Receivable from employee	**47**	-
Other deposits	**19**	-
Due from related party	**350**	126
Total	**2,304**	126

	Neither past due nor impaired AED'000	**Less than 1 year AED'000**	**Expected Credit Losses AED'000**	**Total AED'000**
31 March 2020				
Trade receivables	**374**	**1,388**	**-**	**1,762**
Receivable from employee	**-**	**47**	**-**	**47**
Other deposits	**19**	**-**	**-**	**19**
Other current assets	**-**	**126**	**-**	**126**
Due from related party	**-**	**350**	**-**	**350**
Total	**393**	**1,911**	**-**	**2,304**
31 March 2019				
Due from related party	-	126	-	126

21. Financial risk management objectives and policies (continued)

Credit risk

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 analyzed at each reporting date on an individual basis.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company, and arises principally from the Company's trade and other receivables, due from related parties and bank balances. The Company controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties and assessing creditworthiness of counterparties on a routine and regular basis.

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

Category	*Description*	*Basis for recognizing expected credit losses*
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 month ECL
Doubtful	Amount is more than 90 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit impaired
In default	Amount is more than 365 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Establishment has no realistic prospect of recovery.	Amount is written off

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Management believes that the concentration of credit risk is mitigated by high credit worthiness and financial stability of its customer. The credit risk on liquid funds is limited because the counter parties are reputable international banks and is highly regulated by the central banks of the respective countries.

Trade and other receivables, amounts due from related parties and balances with banks are not secured by any collateral. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counterparties fail to perform their obligations generally approximates their carrying value.

Notes to the financial statements
for the year ended 31 March 2020 (continued)

21. Financial risk management objectives and policies (continued)

Credit risk (continued)

The tables below detail the credit quality of the Company's financial assets as well as the Company's maximum exposure to credit risk:

31 March 2020	12-month or lifetime ECL	Gross carrying amount AED	Loss allowance AED	Net carrying amount AED
Trade receivables	Lifetime ECL	1,762	-	1,762
Due from related parties	Lifetime ECL	350	-	350
Receivable from employee	12-month ECL	47	-	47
Other deposits	12-month ECL	19	-	19
Other receivables	12-month ECL	126	-	126
Bank balances	12-month ECL	151	-	151
		2,455	**-**	**2,455**

31 March 2020	12-month or lifetime ECL	Gross carrying amount AED	Loss allowance AED	Net carrying amount AED
Due from related parties	Lifetime ECL	126	-	126
Bank balances	12-month ECL	66	-	66
		192	**-**	**192**

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. Management believes that the concentration of credit risk is mitigated by high credit worthiness and financial stability of its customer.

Out of total trade receivable, AED 629,000 is secured by letter of credit, AED 219,000 is covered through credit insurance and AED 914,000 is on open credit.

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 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 2020, based on contractual payment dates and current market interest rates.

	Less than 1 year AED'000	More than 1 year AED'000	Total AED'000
At 31 March 2020			
Trade payables - Non-interest bearing instruments	**3,783**	**-**	**3,783**
Borrowings - interest bearing instruments*	**1,656**	**-**	**1,656**
Total	**5,439**	**-**	**5,439**

*Effective Interest rate of borrowing is at LIBOR plus 2.50% p.a.

As on 31 March 2020, overall banking facility utilization is AED 1,713,000 as against AED Nil in previous year.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company's currency transactions are principally in AED and United States Dollars (USD). 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 Company's objective for capital management is to maximize shareholder wealth, safeguard business continuity and support the growth of the Company. The Company determines the capital management requirement based on annual operating plans and long term and other strategic investment plans. The funding requirements are met through optimum mix of borrowed and owned funds. Shareholders have committed to provide for financial support as and when required.

22. Disclosure in connection with Revenue from Contract with Customers

Disaggregation of revenue:

The table below presents disaggregated revenues from contracts with customers for the year ended 31 March 2020 by offerings and contract-type. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by industry, market and other economic factors:

Notes to the financial statements
for the year ended 31 March 2020 (continued)

22. Disclosure in connection with Revenue from Contract with Customers (continued)

Revenue by type of contracts

	Year ended 31 March 2020			Period ended 31 March 2019		
	At a point in time AED'000	Over a period of time AED'000	Total AED'000	At a point in time AED'000	Over a period of time AED'000	Total AED'000
Electro mechanical projects and commercial air conditioning systems	**1,531**	**3,126**	**4,657**	-	-	-

23. Comparative

Current year numbers are not comparable with previous year. Previous year was not full year operation as company was incorporated on 15 August 2018.

24. Approval of financial statements

The financial statements for the year ended 31 March 2020 were approved by the board of directors and authorized for issue on 22 June 2020.