

**GODFREY PHILLIPS MIDDLE EAST
DMCC**

FINANCIAL STATEMENTS

31 MARCH 2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF GODFREY PHILLIPS MIDDLE EAST DMCC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Godfrey Phillips Middle East DMCC (the "Company"), which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2021, 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 Code of Ethics for Professional Accountants (including International Independence Standards) (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, applicable provisions of the Articles of Association of the Company and the DMCC Company Regulations 2021, 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF GODFREY PHILLIPS MIDDLE EAST DMCC (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
GODFREY PHILLIPS MIDDLE EAST DMCC (continued)**

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements of the Company have been properly prepared, in all material respects, in accordance with the applicable provisions of the DMCC Companies Regulations 2020 and, based on the information that has been made available to us during our audit of the financial statements of the Company for the year ended 31 March 2021, nothing has come to our attention that causes us to believe that the activities undertaken by the Company and as disclosed in Note 1 to these financial statements, are not significantly different from the activities mentioned in the license issued to the Company by DMCCA.

For Ernst & Young



Signed by:
Ashraf Abu-Sharkh
Partner
Registration No.: 690

30 May 2021

Dubai, United Arab Emirates

Godfrey Phillips Middle East DMCC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 USD	2020 USD
Revenue from contracts with customers	3	18,318,682	23,122,947
Cost of sales		(16,498,676)	(21,074,691)
GROSS PROFIT		1,820,006	2,048,256
Other income		63,714	33,749
Selling, general and administrative expenses	4	(1,397,002)	(2,002,205)
Finance costs	5	(16,575)	(25,643)
PROFIT FOR THE YEAR		470,143	54,157
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		470,143	54,157

The attached notes 1 to 18 form part of these financial statements.

Godfrey Phillips Middle East DMCC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 USD	2020 USD
ASSETS			
Non-current assets			
Equipment	6	41,188	47,294
Investment in securities	7	19,619	19,619
Other non-current assets		9,771	11,945
		<u>70,578</u>	<u>78,858</u>
Current assets			
Inventories	8	136,982	217,188
Accounts receivables and prepayments	9	2,468,291	1,818,503
Bank balance and cash	10	1,565,421	697,777
		<u>4,170,694</u>	<u>2,733,468</u>
TOTAL ASSETS		<u><u>4,241,272</u></u>	<u><u>2,812,326</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	54,496	54,496
Retained earnings		649,246	179,103
Total equity		<u>703,742</u>	<u>233,599</u>
Non-current liability			
Employees' end of service benefits	12	72,792	59,226
Current liabilities			
Contract liabilities and accruals	13	1,293,200	1,963,859
Amounts due to related parties	14	2,171,538	555,642
		<u>3,464,738</u>	<u>2,519,501</u>
Total liabilities		<u>3,537,530</u>	<u>2,578,727</u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,241,272</u></u>	<u><u>2,812,326</u></u>

Bhisham Wadhera

Bhisham Wadhera
Director

Amit Kaushal

Amit Kaushal
Director

Balbir Singh

Balbir Singh
Director

Abhishek Vaste

Abhishek Vaste
Finance Manager

The attached notes 1 to 18 form part of these financial statements.

Godfrey Phillips Middle East DMCC

STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	<i>Notes</i>	2021 USD	2020 USD
OPERATING ACTIVITIES			
Profit for the year		470,143	54,157
Adjustments:			
Allowance for expected credit losses	4	-	92,855
Bad debts written off	4	14,591	2,445
Provision for employees' end of service benefits	12	13,566	16,168
Loss / (profit) on sale of equipment		7	(1,896)
Depreciation	4	8,655	9,193
Interest on borrowings	5	31	1,081
Interest income		(370)	(460)
Inventories written off		79,094	-
		585,717	173,543
Working capital adjustments:			
Inventories	8	1,112	(152,924)
Accounts receivable and prepayments	9	(662,205)	1,010,607
Due to related parties	14	1,615,896	(1,431,910)
Contract liabilities and accruals	13	(670,659)	(509,166)
Net cash flows from operations		869,861	(909,850)
Interest paid	5	(31)	(1,081)
Interest received		370	460
Net cash flows from / (used in) operating activities		870,200	(910,471)
INVESTING ACTIVITIES			
Purchase of equipment	6	(2,556)	(42,412)
Disposal of equipment	6	-	13,079
Net cash flows used in investing activities		(2,556)	(29,333)
INCREASE / (DECREASE) IN BANK BALANCES AND CASH		867,644	(939,804)
Bank balances and cash at 1 April		697,777	1,637,581
BANK BALANCES AND CASH AT 31 MARCH	10	1,565,421	697,777

The attached notes 1 to 18 form part of these financial statements.

Godfrey Phillips Middle East DMCC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	<i>Share capital USD</i>	<i>Retained earnings USD</i>	<i>Total USD</i>
Balance at 1 April 2019	54,496	124,946	179,442
Total comprehensive income for the year	-	54,157	54,157
Balance at 31 March 2020	54,496	179,103	233,599
Total comprehensive income for the year	-	470,143	470,143
Balance at 31 March 2021	54,496	649,246	703,742

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

1 ACTIVITIES

Godfrey Phillips Middle East DMCC (the “Company”) is a limited liability company registered and incorporated in the United Arab Emirates under Dubai Multi Commodities Center Company Regulation No. (1/03).

The address of the registered office of the Company is at Unit No: 1805, Fortune Tower, Plot No: JLT-PH1-C1A, Jumeirah Lakes Towers, Dubai, United Arab Emirates.

The Company is a wholly owned subsidiary of Godfrey Phillips India Limited (the “Parent Company”), a company incorporated in India.

The principal activities of the Company comprise of trading in tobacco and cigarettes, confectionery, chocolates and tea.

The financial statements were authorised for issue on 29 May 2021.

2.1 BASIS OF PREPARATION

The financial statements are prepared on a historical cost basis, except for investments in securities that have been measured at fair value.

The financial statements have been presented in US Dollars (USD) which is the Company’s functional and presentation currency. This is different from the currency of the country in which the Company is domiciled i.e. UAE Dirhams (AED).

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”) and in compliance with applicable requirements of DMCC Free Zone authority regulations.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018
- Amendments to IFRS 16 Covid-19 Related Rent Concessions

The amendments do not have any impact on the financial statements of the Company.

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts - applicable from financial year beginning on or after 1 January 2023
- Amendments to IFRS 3: Definition of a Business – applicable from financial year beginning on or after 1 January 2021
- Amendments to IAS 1: Classification of liabilities as current or non-current – applicable from financial year beginning on or after 1 January 2022

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

- Reference to the Conceptual Framework – Amendments to IFRS 3 – Applicable for annual reporting periods beginning on or after 1 January 2022 and apply prospectively
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 – Applicable for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 – Applicable for annual reporting periods beginning on or after 1 January 2022
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter – Applicable for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities – Applicable for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted
- IAS 41 Agriculture – Taxation in fair value measurements – Applicable for annual reporting period beginning on or after 1 January 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue from contracts with customers

The Company is in business of trading of tobacco and cigarettes, confectionery, chocolates and tea. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Interest income

Interest income is recognised as the interest accrued using the effective interest rate (EIR) method under which the rate used exactly discounts estimated future cash receipts throughout the expected life of the financial asset to the net carrying amount of the financial asset.

Contract balances

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in the section 'Financial instruments'.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Other operating income

Other operating income is recognised when earned.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment and borrowing costs if the recognition criteria are met. When significant parts of the equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the 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 is met.

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

Motor vehicles	8 years
Furniture and fixtures	10 years
Office equipment	5 years
Computers	3 years

An item of equipment 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 in the year the asset is derecognised.

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

Expenditure incurred to replace a component of an item of equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

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

Fully depreciated equipments are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

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 and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. 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. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

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 cash-generating unit'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.

Financial instruments

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 subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 include cash and bank balances, trade and other receivables and financial assets designated at fair value through OCI (equity instruments).

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

Financial assets at amortised cost

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of comprehensive income when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, bank balances and other receivables.

Trade receivable

Trade receivable are stated at original invoice less allowance for expected credit losses.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

Bank balances and cash

Bank balances and cash in the statement of financial position comprise cash at banks and on hand and short-term deposits with a 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 cash equivalents consist of bank balances net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of comprehensive income. Dividends are recognised as other income in the statement of comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company's financial assets designated at fair value through OCI (equity instruments) includes investment in securities.

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to statement of comprehensive income.

The Company has not designated any financial asset at fair value through OCI with recycling of cumulative gains and losses.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

The Company has not designated any financial asset as fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derecognition of financial assets

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 asset to the extent of the Company's continuing involvement in the asset. 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 recognises loss allowances for expected credit losses ("ECL") on the following financial instruments i.e bank balances, trade receivables and other receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integrated to the contractual terms

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables, bank balance and due from related parties, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the statement of comprehensive income

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. The Company determines the classification of its financial liabilities at initial recognition.

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

The Company's financial liabilities include trade payables and accruals and amounts due to related parties.

Subsequent measurement

Accounts payables and accruals

Accounts payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement (continued)

Due to related parties

Due to related parties are recognised for amounts to be paid in the future for goods or services received, whether billed by the related party or not.

Derecognition of financial liabilities

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 is 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.

Fair value measurements

The Company measures financial instruments, such as, investments, at fair value at each balance sheet date.

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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 reporting period.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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.

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. When 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 current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

Current versus non-current classification

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

- Expected to be realised or intended to sold or consumed in 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 reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in 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 reporting period

The Company classifies all other liabilities as non-current.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each item to its present location and condition and are valued on a weighted average cost 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of leasehold premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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.

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency spot rates at the date of the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively)

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.

Value Added Tax (VAT)

Revenue, expenses and assets are recognised at amounts net of value added tax except:

- where VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or part of the expense items, as applicable.
- where receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligation*

The Company is involved in the trading of tobacco and cigarettes, confectionery, chocolates and tea and based on the contracts with the customers, the Company has concluded that the delivery of the materials is the only performance obligation of the Company.

- *Determining the timing of satisfaction of performance obligation*

The Company has concluded that the revenue from delivery of materials is to be recognised at a point in time when the control of the goods is transferred to the customer, being when the goods are delivered to the customers, the customer has full discretion over the channel and the price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location or handed over to the transporter at the port of origin and bill of lading is issued, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

Judgements (continued)

- *Determining the transaction price and allocating to performance obligation*

Revenue from the sale of goods to the customers is recognised based on the price specified in the contract with the customers and the entire transaction price is allocated to the performance obligation of delivery of materials as the Company has concluded that this is the only single performance obligation of the Company. The Company has concluded that there are no variable consideration included in the transaction price.

- *Consideration of significant financing component in a contract*

The Company has concluded that there is no element of financing deemed to be present in its contract with the customers as the sales are made on credit terms of 30 days, which is consistent with market practice. 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 an impairment applied according to the length of time past due, based on historical recovery rates.

Determining the lease term of contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company currently has lease rental contracts of the office premise and apartment which are of less than 12 months and do not contain a purchase option. As per the agreement, the renewal is the sole discretion of the Landlord and hence the renewal is out of Company's control. Further, the Company can shift premises without having to incur substantial cost. Hence, the Company has applied the short-term leases exemptions as permitted under IFRS 16 for these lease rental contracts. Hence the adoption of the IFRS 16 did not have any material impact on the financial statements.

Estimates and assumptions

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.

Revenue from contracts with customers

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

In particular, information about significant areas of estimation and uncertainty in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are discussed below:

Provision for expected credit losses of trade receivables

The Company determines provision for expected credit losses of trade receivables on a case to case basis, which is based on the Company's historical observed default rates adjusted for forward-looking information either with the same customer or different customers with similar characteristics like geographical location.

The Company calibrates its estimate to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed on a case to case basis.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (continued)**Estimates and assumptions (continued)***Provision for expected credit losses of trade receivables (continued)*

As at the date of the statement of financial position, gross trade receivables were USD 2,499,906 (2020: USD 1,935,531) and allowance for ECL was USD 117,613 (2020: USD 210,468). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At the end of reporting period, gross inventories were USD 136,982 (2020: USD 217,188), and there is no provision for old and obsolete inventories. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Useful lives and residual value of equipment

The Company's management determines the estimated useful lives of its 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 residual value and/or useful lives differ from previous estimates.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS**i Disaggregated revenue information**

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	<i>2021</i>	<i>2020</i>
	<i>USD</i>	<i>USD</i>
<i>Geographical markets</i>		
Panama	10,412,757	12,947,238
Belize	1,749,016	3,025,005
United Arab Emirates	1,565,333	1,414,256
Chile	985,635	615,335
Libya	873,062	762,479
Montenegro	618,948	508,137
Bolivia	238,080	178,500
Mauritius	210,144	398,312
Cyprus	-	935,890
Others	1,665,707	2,337,795
	18,318,682	23,122,947
<i>Timing of revenue recognition</i>		
At a point in time	18,318,682	23,122,947

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

3 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

ii Contract balances

	<i>2021</i> <i>USD</i>	<i>2020</i> <i>USD</i>
Trade receivables (Note 9)	<u>2,382,293</u>	<u>1,725,063</u>
Contract liabilities - advances received from customers (Note 13)	<u>1,128,420</u>	<u>1,749,243</u>

During the year, the Company recognised revenue amounting to USD 1,133,997 (2020: USD 1,642,164) that were included in the contract liabilities as at the beginning of the period. The Company has not recognised any revenue during the current year from performance obligations satisfied during the previous periods as the Company recognises revenue at a point in time.

The Company bills and receives payments from customers based on the billing schedule and terms of payment agreed with the customers as mentioned in the contracts with the customers. Contract liabilities relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) the Company performs the obligations under the contract.

4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2021</i> <i>USD</i>	<i>2020</i> <i>USD</i>
Salaries and staff benefits	751,333	737,633
Legal and professional fees	226,813	341,175
Sales and marketing expenses	84,754	89,803
Rent expense (short term leases)	60,533	76,711
Warehousing and import/export charges	50,725	92,728
Insurance expenses	43,677	44,489
Travelling and conveyance expenses	16,201	147,525
Bad debts written off	14,591	2,445
Provision for employees' end of service benefits (Note 12)	13,566	16,168
Depreciation (Note 6)	8,655	9,193
Loss on sale of equipment	7	-
Allowances for expected credit losses (ECL) (Note 9)	-	92,855
Other expenses	126,147	351,480
	<u>1,397,002</u>	<u>2,002,205</u>

5 FINANCE COSTS

	<i>2021</i> <i>USD</i>	<i>2020</i> <i>USD</i>
Bank charges	16,544	24,562
Interest on borrowings (including overdrafts)	31	1,081
	<u>16,575</u>	<u>25,643</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

6 EQUIPMENT

	<i>Motor vehicles USD</i>	<i>Furniture and fixtures USD</i>	<i>Office equipment USD</i>	<i>Computers USD</i>	<i>Total USD</i>
Cost:					
At 1 April 2020	41,321	23,453	18,712	10,541	94,027
Additions	-	-	940	1,616	2,556
Disposals	-	-	(150)	-	(150)
At 31 March 2021	41,321	23,453	19,502	12,157	96,433
Depreciation:					
At 1 April 2020	4,920	16,305	17,776	7,732	46,733
Charge for the year	4,909	2,218	34	1,494	8,655
Disposals	-	-	(143)	-	(143)
At 31 March 2021	9,829	18,523	17,667	9,226	55,245
Net carrying amount:					
At 31 March 2021	31,492	4,930	1,835	2,931	41,188

	<i>Motor vehicles USD</i>	<i>Furniture and fixtures USD</i>	<i>Office equipment USD</i>	<i>Computers USD</i>	<i>Total USD</i>
Cost:					
At 1 April 2019	36,321	23,453	18,712	10,324	88,810
Additions	41,321	-	-	1,091	42,412
Disposals	(36,321)	-	-	(874)	(37,195)
At 31 March 2020	41,321	23,453	18,712	10,541	94,027
Depreciation:					
At 1 April 2019	25,178	14,081	17,776	6,517	63,552
Charge for the year	5,278	2,224	-	1,691	9,193
Disposals	(25,536)	-	-	(476)	(26,012)
At 31 March 2020	4,920	16,305	17,776	7,732	46,733
Net carrying amount:					
At 31 March 2020	36,401	7,148	936	2,809	47,294

7 INVESTMENT IN SECURITIES

Investment in securities represent investments made during the prior year in the unquoted equity shares of KKM Management Centre Middle East FZE, United Arab Emirates amounting to USD 19,619 (2020: USD 19,619) with percentage of ownership as at 31 March 2021 of 18% (2020: 18%). The investment is classified as investment at fair value through OCI. The fair value of these investments closely approximates the cost of investment.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

8 INVENTORIES

	2021 USD	2020 USD
Raw material	-	94,842
Goods for resale	136,982	122,346
	136,982	217,188

The cost of materials recorded in cost of sale amounted to USD 16,302,104 (2020: USD 20,782,485).

Raw materials and goods for resale amounting to USD 136,982 (2020: USD 217,188), are in the possession of a third party. As at 31 March 2021, no provision is created for old and obsolete inventory (2020: Nil).

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2021 USD	2020 USD
Trade receivables	2,499,906	1,935,531
Less: Allowance for expected credit losses (ECL)	(117,613)	(210,468)
	2,382,293	1,725,063
Prepayments	3,704	27,340
Other receivables	82,294	66,100
	2,468,291	1,818,503

The movement in the provision for impairment against trade receivables is as follows:

	2021 USD	2020 USD
As at April	210,468	117,613
Charge for the year (Note 4)	-	92,855
Utilisation of provision against write off	(92,855)	-
As at 31 March	117,613	210,468

Trade receivables are non - interest bearing and are generally on 30 days' terms.

As at the reporting date, the ageing of unimpaired trade receivables are as follows:

		<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>				
	<i>Total USD</i>	<i>USD</i>	<i>< 30 days USD</i>	<i>30 – 60 days USD</i>	<i>61 – 90 days USD</i>	<i>91 – 120 days USD</i>	<i>>120 days USD</i>
2021	2,382,293	375,449	890,686	350,350	141,118	50,868	573,822
2020	1,725,063	633,538	282,892	145,634	2,774	273	659,952

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

The credit quality of trade receivables that are neither past due nor impaired is assessed by management with reference to historic payment track records of the counterparties. Refer Note 16 on credit risk of trade receivables, which explains how the Company manages and measures credit quality of trade receivables.

10 BANK BALANCES AND CASH

For the purpose of the statement of cash flows, cash and cash equivalents consist of the following statement of financial position amounts:

	<i>2021</i> <i>USD</i>	<i>2020</i> <i>USD</i>
Cash in hand	2,447	3,744
Bank balances	1,562,974	694,033
	<u>1,565,421</u>	<u>697,777</u>

11 SHARE CAPITAL

	<i>2021</i> <i>USD</i>	<i>2020</i> <i>USD</i>
<i>Authorised, issued, subscribed and fully paid up:</i>		
200 shares of AED 1,000 (USD 272.48) each	<u>54,496</u>	<u>54,496</u>

12 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	<i>2021</i> <i>USD</i>	<i>2020</i> <i>USD</i>
As at 1 April	59,226	43,058
Provided during the year (Note 4)	13,566	16,168
As at 31 March	<u>72,792</u>	<u>59,226</u>

Labour laws in the United Arab Emirates require employer to provide for long-term employment benefits. This benefit is payable to employee on being transferred to another jurisdiction or on cessation of employment based on their final salary and number of years of service. All amounts are unfunded.

13 CONTRACT LIABILITIES AND ACCRUALS

	<i>2021</i> <i>USD</i>	<i>2020</i> <i>USD</i>
Contract liabilities - advances received from customers	1,128,420	1,749,243
Provisions and accruals	164,780	214,616
	<u>1,293,200</u>	<u>1,963,859</u>

Refer Note 16 for the details of the Company's liquidity risk management process.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

14 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent Parent company, key management personnel of the Company and entity controlled, jointly controlled or significantly influenced by such parties.

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

Amounts due to related parties

	2021	2020
	USD	USD
Parent Company	2,171,362	547,708
Other related party	176	7,934
	<u>2,171,538</u>	<u>555,642</u>

Outstanding balances at the year-end arise in the normal course of business are non-interest bearing with no payment terms and settlement occurs generally in cash.

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

	2021	2020
	USD	USD
<i>Parent Company</i>		
Purchases	<u>15,972,250</u>	<u>19,837,068</u>
Expenses incurred on Company's behalf	<u>48,830</u>	<u>55,339</u>
Expenses incurred by Company on Parent Company's behalf	<u>29,093</u>	<u>49,093</u>
<i>Other related party</i>		
Other expenses	<u>14,084</u>	<u>93,758</u>

End of service benefits of employees seconded from the Parent Company are borne by the Parent Company and not recharged to the Company. The concerned employees have also confirmed in writing to discharge any entitlements arising towards the end of service benefits arising in UAE.

c) *The remuneration of Directors and other key members of management during the year included in the statement of comprehensive income are as follows:*

	2021	2020
	USD	USD
Short-term employee benefits	<u>363,523</u>	<u>366,330</u>

15 COMMITMENTS AND CONTINGENCIES

The Company does not have any liabilities that are contingent in nature as at 31 March 2021 (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise due to related parties and accruals. The Company's financial assets are bank balances, cash in hand, trade receivables, other receivables and investment in securities.

The management has overall responsibility for the Company and oversight of the Company's risk management framework, and for developing and monitoring the Company's risk management policies.

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 and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations:

The main risks arising from the Company's financial instruments are:

- Interest rate risk;
- Credit risk;
- Liquidity risk; and
- Currency risk.

Interest rate risk

The Company is not exposed to any significant interest rate risk as the Company does not have any floating rate assets or liabilities.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

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

	<i>2021</i> <i>USD</i>	<i>2020</i> <i>USD</i>
Trade receivables	2,382,293	1,725,063
Bank balances	1,562,974	694,033
Other receivables	92,065	78,045
	<u>4,037,332</u>	<u>2,497,141</u>

Trade receivable

The Company has a policy of dealing with customers with an appropriate credit history and good credit rating.

The Parent Company on behalf of the Company has also undertaken credit risk insurance coverage to mitigate its exposure to credit risk arising from default of customers. Outstanding trade accounts receivable 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 accounts receivable are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The Company does not hold any collateral as security.

The Company evaluates the concentration of credit risk with respect to trade accounts receivable to be not high, as its customers are located in several jurisdictions and operate in largely independent markets.

At 31 March 2021, the Company's four largest customers accounted for 71% of outstanding accounts receivable (2020:88%). There are no other customers who represent more than 10% of the total balance of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risk (continued)**

The details of the allowance for expected credit losses of trade receivables computed based on weighted average probability of default as at 31 March 2021 are as follows:

At 31 March 2021:

	<i>Trade receivables USD</i>	<i>Loss allowance USD</i>	<i>Expected credit loss (ECL)</i>
Gross carrying amounts:			
Receivables with specific instances of default	469,751	117,613	25%
Other trade receivables	2,030,155	-	-
	2,499,906	117,613	

At 31 March 2020:

	<i>Trade receivables USD</i>	<i>Loss allowance USD</i>	<i>Expected credit loss (ECL)</i>
Gross carrying amounts:			
Receivables with specific instances of default	685,850	210,468	31%
Other trade receivables	1,249,681	-	-
	1,935,531	210,468	

Bank balances

Credit risk on bank balances are assessed to be low as these balances are callable on demand and held with reputable financial institutions in the UAE.

Other receivables

With respect to credit risk arising from other financial assets, including deposits and other receivables, the Company's exposure to credit arises from default of the counter party with maximum exposure equal to the carrying amount of these assets.

Liquidity risk

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sales require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within 30 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.

At 31 March 2021:

	<i>Less than 1 year USD</i>	<i>Total USD</i>
Due to related parties	2,171,538	2,171,538
Provisions and accruals	164,780	164,780
	2,336,318	2,336,318

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

At 31 March 2020:

	<i>Less than 1 year USD</i>	<i>Total USD</i>
Due to related parties	555,642	555,642
Provisions and accruals	214,614	214,614
	<u>770,256</u>	<u>770,256</u>

Currency risk

Currency risk is the risk that the fair value of a financial instrument or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Currency risk mainly arises from sales or purchases by the Company in foreign currencies other than the Company's functional currency.

Further, the Company does not have significant transactional currency exposure as significant proportion of its transactions are either in AED or US Dollar. As AED is currently pegged to the US Dollar, balances in US Dollar and other currencies currently pegged against the US Dollar are not considered to represent significant currency risk.

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 years ended 31 March 2021 and 31 March 2020. Capital comprises share capital and retained earnings and is measured at equity of USD 703,742 (2020: USD 233,599).

17 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

The Company's financial assets are investment in securities, bank balances, cash in hand, trade receivables and other receivables. The Company's principal financial liabilities comprise borrowings, due to related parties and accruals.

The fair value 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 fair values of financial instruments are not materially different from their carrying values largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- Cash and bank balances, trade and other receivables, trade and other payables and due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- Fair value of investment in securities is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities.

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2021

17 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table presents the Company's assets and liabilities that are measured at fair value at 31 March 2021:

	<i>Level 1 USD</i>	<i>Level 2 USD</i>	<i>Level 3 USD</i>	<i>Total USD</i>
Assets				
Investments at fair value through other comprehensive income	-	-	19,619	19,619
Total assets	-	-	19,619	19,619

The following table presents the Company's assets and liabilities that are measured at fair value as at 31 March 2020.

	<i>Level 1 USD</i>	<i>Level 2 USD</i>	<i>Level 3 USD</i>	<i>Total USD</i>
Assets				
Investments at fair value through other comprehensive income	-	-	19,619	19,619
Total assets	-	-	19,619	19,619

The Company has no liabilities measured at fair value as at 31 March 2021 (2020: Nil).

There were no transfers between Levels 1, 2 and 3 during the year.

Company's valuation processes

Changes in Level 2 and 3 fair values are analysed at each reporting date during quarterly valuation discussions. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

There were no changes in the valuation techniques during the year.

18 COVID-19

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these financial statements. Notwithstanding, these developments could impact our future financial results, cash flows and financial position.