ELGi

19 September 2021

Evas International
Chartered Accountants
P.O. Box 52258
Dubai

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of ELGI Gulf Mechanical and Engineering Equipment Trading L.L.C ("the Company") for the financial year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2021, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

By representing those charged with governance and the management, I am directed to confirm to you, in respect of the financial statements of the Company for the financial year ended 31 March 2021, the following:-

1. We acknowledge as directors/managers our responsibilities for preparing the financial statements in accordance with the International Financial Reporting Standards which give a true and fair view and for making accurate representations to you. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Company have been properly reflected and recorded in the accounting records.

2. The Company has satisfactory title to all assets and there are no liens or encumbrances on the Company's assets, other than those disclosed in the financial statements.

3. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.

4. The Company has complied with all aspects of contractual agreements that could have a material impact on the financial statements in the event of non-compliance.

5. We acknowledge as directors our responsibilities for the design and implementation of internal control in order to prevent and detect fraud.

6. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

7. In our opinion, the risks that the financial statements may be materially misstated as a result of fraud are low based on our fraud risk assessment as summarised below:

   a) Relating to misstatement arising from fraudulent financial reporting

   - We have developed a culture that emphasizes the importance of integrity and ethical behavior through oral communication and by management example.

   - There is no excessive pressure for management and operating personnel to meet the financial targets established by those charged with governance.

ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C
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- There is no excessive pressure for management to meet the requirements or expectation of third parties.

- We are not aware of any personal financial situation of management or those charged with governance that may be threatened by the Company's financial performance.

- There is no domination of management by a single person or small Company without compensating controls.

- There is effective supervision by those charged with governance over the financial reporting process and internal control.

b) Relating to misstatements arising from misappropriation of assets

- There is adequate internal control over assets that decrease the susceptibility of misappropriation of those assets.

- We are not aware of any personal financial obligations that may create pressure on management or employees with access to cash or other assets susceptible to theft to misappropriate those assets.

- We have low tolerance for petty thefts.

8. We confirm that we are not aware of any instance of fraud, and have no suspicions of any fraud, involving members of management or employees who have a significant role in internal control.

9. We confirm that we have no knowledge nor suspicion of fraud in any circumstances where such fraud or suspected fraud could have a material effect on the financial statements.

10. We confirm that we are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.

11. There is no pending or potential litigation against the Company and there are no contingencies of a material amount for which provision has not been made in the financial statements.

12. We confirm to you that we have disclosed to you all known instances of actual or possible non-compliance with laws and regulations, where such instances have or could have an effect on the financial statements.

13. We confirm that, in our opinion, the assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect our ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.

14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

15. We confirm the completeness of the information provided to you regarding the identification of related parties.

16. To the best of our knowledge and belief, there were no material transactions with related parties at any time during the period which have not been disclosed. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the International Financial Reporting Standards.

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ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C

17. In particular, no director, shadow director, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the Company at any time during the period.

18. Except as disclosed in the financial statements, the results for the period were not materially affected by:

   a) any change in accounting policies;

   b) transactions of a type not usually undertaken by the Company;

   c) circumstances of an exceptional or non-recurrent nature; or

   d) charges or credits relating to prior periods.

19. We confirm the management remuneration of AED 362,430.

20. We confirm the management fee of AED 1,365,526 is payable to a Shareholder (Elgi Gulf (FZE)) based on the terms agreed between the Company and the Shareholders. We further confirm that the amount is due upon finalization of audited financial statements of the Company.

21. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

22. There have been no events subsequent to the reporting date that require adjustments of or disclosure in the financial statements.

23. We confirm that we have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements were approved.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

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General Manager
19 September 2021

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**ELGI GULF MECHANICAL AND
ENGINEERING EQUIPMENT TRADING L.L.C
DUBAI**

**FINANCIAL STATEMENTS
31 MARCH 2021**

ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C
DUBAI

FINANCIAL STATEMENTS
31 MARCH 2021

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GENERAL MANAGER'S REPORT

The General Manager have pleasure in submitting the report and audited financial statements of ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C, Dubai ("the Company") for the year ended 31 March 2021.

Legal status and principal activities

The Company is registered as a limited liability company in the Emirate of Dubai pursuant to Federal Law No.2 of 2015. The Company is operating under commercial license No. 840814 issued on 20 June 2019 by the Department of Economic Development, Government of Dubai.

The principal activity of the Company is trading in engines and machinery spare parts, pumps, engines and valves and spare parts.

The Company is wholly controlled by M/s. Elgi Gulf FZE, Sharjah Airport International Free Zone, Sharjah. The Company is managed by Mr. Shyamsunder Pushpagiri Rammohan.

The principal place of business is located at office 20/1 Empire Heights, Podium Level 3, Business Bay, Dubai, UAE.

Operating results

During the year ended 31 March 2021, the Company achieved revenue of AED 9,541,122 (2020 – AED 2,654,348) and earned a profit of AED 138,378 (2020 – incurred a loss of AED 126,131).

Shareholding

The shareholding structure of the Company at the beginning and end of the reporting date is as follows:

Name of shareholders	Number of shares	% of shareholding	Value in AED
Mr. Faisal Mohamed Hassan Abdalla Al-Ali	153	51	153,000
Elgi Gulf (FZE), Sharjah Airport International Free Zone, Sharjah	47	49	147,000
	300	100	300,000

AUDITORS

Messrs Evas International Chartered Accountants, the auditors of the Company, have indicated their willingness to continue in office.

General Manager
19 September 2021

ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C DUBAI - U.A.E.

Evas International
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C, DUBAI

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Elgi Gulf Mechanical and Engineering Equipment Trading LLC Sharjah ("the Company"), United Arab Emirates which comprise the statement of financial position as at 31 March 2021, statement of comprehensive income, statement of changes in shareholders' funds, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies set out on pages 4 to 19.

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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended 31 March 2020 were audited by another auditor who expressed an unqualified opinion on those financial statements on 25 June 2020.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Memorandum of Association and the UAE 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.

Those charged with governance are 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Evas International Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C, DUBAI (Continued)

Auditor's responsibilities for the audit of the financial statements (Continued)

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

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) the Company has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Memorandum of Association and the UAE Federal Law No. (2) of 2015;

iv) the financial information included in the General Manager's report is consistent with the books of account of the Company;

v) note 15 reflects material related party balances and transactions;

vi) 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 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum of Association which would have a material impact on its activities or its financial position.

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Evas International
Chartered Accountants

ايفاس انترناشيونال محاسبون قانونيون
P.O. Box: 52258
Dubai - U.A.E.
Evas International Chartered Accountants

19 September 2021
Dubai

ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C
DUBAI

STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2021

	Note	2021	2020
Assets		AED	AED
Current assets			
Inventories	3	183,336	84,170
Accounts and other receivables	4	1,632,565	1,615,505
Bank balances and cash	5	254,645	379,067
Total current assets		2,070,546	2,078,742
Total assets		2,070,546	2,078,742
Shareholders' funds and liabilities			
Shareholders' funds			
Share capital	6	300,000	300,000
Legal reserve	7	1,224	--
Shareholders' current accounts	8	(153,000)	(153,000)
Retained earnings / (accumulated loss)		11,023	(126,131)
Total shareholders' funds		159,247	20,869
Liabilities			
Current liabilities			
Accounts and other payables	9	1,911,299	2,057,873
Total current liabilities		1,911,299	2,057,873
Total liabilities		1,911,299	2,057,873
Total shareholders' funds and liabilities		2,070,546	2,078,742

General Manager
19 September 2021

The attached notes 1 to 19 form part of these financial statements.

ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C
DUBAI

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021	10 months period from the date of incorporation on 23 May 2019 to 31 March 2020
		AED	AED
Income			
Revenue	10	9,541,122	2,654,348
Direct costs	11	(7,626,839)	(2,664,995)
Gross profit / (loss)		1,914,283	(10,647)
Other income	12	5,597	--
		1,919,880	(10,647)
Expenses			
Management fee	15	1,365,526	--
Salaries and employee related costs	15	362,430	67,848
General and administration	13	51,382	47,498
Finance charges	14	2,164	138
		1,781,502	115,484
Net profit / (loss) and other comprehensive income/ (loss) for the year/ period		138,378	(126,131)

General Manager
19 September 2021

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2021

Year to 31 March 2021	Share capital AED	Legal reserve AED	Shareholders' current accounts AED	(Accumulated loss)/ retained earnings AED	Total shareholders' funds AED
Balance at the beginning of the year	300,000	--	(153,000)	(126,131)	20,869
Income recognition					
Total comprehensive income for the year	--	--	--	138,378	138,378
Other movements					
Transfer to legal reserve	--	1,224	--	(1,224)	--
Balance at the end of the year	300,000	1,224	(153,000)	11,023	159,247

Period to 31 March 2020 (10 months period from the date of incorporation on 23 May 2019 to 31 March 2020)	Share capital AED	Legal reserve AED	Shareholders' current accounts AED	Accumulated loss AED	Total shareholders' funds AED
Share capital introduced during the period	300,000	--	(153,000)	--	147,000
Income recognition					
Total comprehensive loss for the period	--	--	--	(126,131)	(126,131)
Balance at the end of the period	300,000	--	(153,000)	(126,131)	20,869

General Manager
19 September 2021

DUBAI - U.A.E.
ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 AED	10 months period from the date of incorporation on 23 May 2019 to 31 March 2020 AED
Cash flows from operating activities			
Total comprehensive income/ (loss) for the year/ period		138,378	(126,131)
Net cash from/ (used in) operating activities before changes in working capital		138,378	(126,131)
Increase in inventories		(99,166)	(84,170)
Increase in accounts and other receivables		(17,060)	(1,615,505)
(Decrease)/ increase in accounts and other payables		(146,574)	2,057,873
Net cash (used in)/ from operating activities		(124,422)	232,067
Cash flows from financing activities			
Share capital introduced during the year/ period		--	147,000
Net cash from financing activities		--	147,000
(Decrease)/ increase in cash and cash equivalents during the year/ period		(124,422)	379,067
Cash and cash equivalents at beginning of the year/ period		379,067	--
Cash and cash equivalents at end of the year/ period	5	254,645	379,067

DUBAI - U.A.E.

General Manager
19 September 2021

The attached notes 1 to 19 form part of these financial statements.

1 Legal status and principal activities

Elgi Gulf Mechanical and Engineering Equipment Trading L.L.C., Dubai ("the Company") is a limited liability company incorporated in the Emirate of Dubai on 20 June 2019 under Federal Law No. (2) of 2015 and operates under license no. 840814 issued by the Department of Economic Development, Government of Dubai.

The principal activity of the Company is trading in engines and machinery spare parts, pumps, engines and valves and spare parts.

The Company is wholly controlled by M/s. Elgi Gulf FZE, Sharjah Airport International Free Zone, Sharjah. The Company is managed by Mr. Shyamsunder Pushpagiri Rammohan.

The principal place of business is located at office 20/1 Empire Heights, Podium Level 3, Business Bay, Dubai, UAE.

2 Basis of preparation and significant accounting policies and estimates

2.1 Basis of preparation

Statement of compliance
These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The financial statements have been prepared in Arab Emirates Dirhams.

In the current period, the Company has adopted all applicable new and revised Standards and Interpretations issued by IASB and the IFRIC that are effective for accounting periods beginning on or after 1 April 2020.

Basis of measurement
The financial statements are prepared under the historical cost convention. The principal accounting policies that have been applied consistently by the Company to all periods presented in these financial statements are set out below.

2.2 Changes in accounting policies

New and amended standards adopted by the Company

The Company has early adopted the following new and amended standards effective as of 1 April 2020:

IFRS 16 COVID-19 Related Rent Concessions – In May 2020, The IASB issued amendments to IFRS 16 Leases related to rent concessions related to COVID-19 which provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment is not having a material impact on the financial statements of the Company.

Amendments issued but not yet effective

The following standards and amendments to existing standards that are applicable to the Company have been published and are mandatory for accounting periods beginning after 1 April 2020, but which have not been early adopted by the Company:

a) Amendments to IAS 1: Classification of Liabilities as Current or Non-current – In April 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
   - What is meant by a right to defer settlement;
   - That a right to defer must exist at the end of the reporting period;
   - That classification is unaffected by the likelihood that an entity will exercise its deferral right;

2 Basis of preparation and significant accounting policies and estimates (Continued)

2.2 Changes in accounting policies (Continued

Amendments issued but not yet effective (Continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact of the amendments on the presentation and disclosure of items in the financial statements for future periods.

b) Amendments to IAS 16: Property, Plant and Equipment – In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective 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. The amendments are not expected to have a material impact on the presentation and disclosure of items in the financial statements for future periods.

2.3 Significant accounting policies

a) Current and non-current classification in the statement of financial position

An asset is current when it is:

- Held primarily for the purpose of trading
- Expected to be realized or intended to be sold/ consumed in the normal operating cycle
- Expected to be realized within twelve months after the reporting period
- Cash or cash equivalents

All other assets are classified as non-current.

A liability is current when it is:

- Held primarily for the purpose of trading
- Expected to be settled in the normal operating cycle
- Due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

b) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment, excluding discounts. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent and has concluded that it is acting as a principal in all of its revenue arrangements, because the Company typically controls the goods or services before transferring to the customers.

Sale of goods
Revenue from sale of goods is recognized at the point in time when control of the goods or services are transferred to the customer, normally on delivery to the customer.

Separate performance obligations in the contract, if any, are identified and transaction price is allocated after considering the effects of variable consideration (rights of return, volume rebates etc.), significant financing component, non-cash consideration and any consideration payable to the customer.

2 Basis of preparation and significant accounting policies and estimates (Continued)

2.3 Significant accounting policies (Continued)

b) Revenue (Continued)

Significant financing component – the Company does not expect to have any contracts where the period between the transfer of the goods or services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust any of the transaction prices for the time value of money. Short term advances from customers are not considered to be having significant financing component as the period between the receipt of advances and the transfer of promised goods or services will be one year or less.

Assurance-type warranties for general repairs of defects that existed at the time of sale and are accounted for under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets'.

Rendering of services
Revenue is recognized over time (the customer simultaneously receives and consumes the benefits) as the services are provided using the input method to measure progress towards complete satisfaction of the service. Under the input method, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation.

Others

- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.
- Commission income is recognized when the underlying transaction is completed.

c) Inventories

Inventories have been valued at lower of cost and net realizable value, after making due allowance for any obsolete and slow-moving items. Cost is determined by weighted average method and consists of aggregate of purchase price and other related expenses incurred to bring the inventories to their present location and condition. Net realizable value is determined on estimated selling price less any estimated cost necessary to make the sales. Goods in transit are valued based on cost incurred up to the reporting date.

d) Cash and cash equivalents

Cash and cash equivalents consist of bank balances and cash.

e) Financial instruments – recognition, classification, measurement, de-recognition and offsetting

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.

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability (other than FVTPL) is initially measured at fair value plus directly attributable transaction costs.

2 Basis of preparation and significant accounting policies and estimates (Continued)

2.3 Significant accounting policies (Continued)

e) Financial instruments – recognition, classification, measurement, de-recognition and offsetting (Continued)

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

Classification and subsequent measurement

Financial assets: Classification
On initial recognition, a financial asset is classified as measured at:
- Amortized cost – debt instruments
- Fair value through other comprehensive income (FVOCI) – debt instruments (with recycling)
- Fair value through other comprehensive income (FVOCI) – equity instruments (without recycling of cumulative gains or losses) or
- Fair value through profit or loss (FVTPL) – debt and equity instruments

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Other financial assets are classified at FVTPL. This assessment is performed at an instrument level. The Company's business model for managing financial assets refer 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 assets, or both. When the objective is to hold financial assets to collect contractual cash flows, it is classified at amortized cost and when the objective is to hold financial assets to collect contractual cash flows and selling, it is classified at FVTOCI.

Financial assets: Subsequent measurement
Debt instruments at amortized cost – These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of comprehensive income. Any gain or loss on derecognition is recognized in the statement of comprehensive income.

Financial liabilities: Classification and subsequent measurement
Financial liabilities are classified as measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of comprehensive income. Any gain or loss on derecognition is also recognized in the statement of comprehensive income.

Derecognition

Financial assets
A financial asset (or where applicable a part of a financial asset or a part of company of similar financial assets) is derecognized either when:
(i.) the rights to receive cash flows from the asset have expired;
(ii.) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
(iii.) the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

2 Basis of preparation and significant accounting policies and estimates (Continued)

2.3 Significant accounting policies (Continued)

e) Financial instruments – recognition, classification, measurement, de-recognition and offsetting (Continued)

Financial liabilities

A financial liability is derecognized 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

f) Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. The Company applies expected credit losses (ECL) model for measurement and recognition of loss allowance on all debt instruments not held at fair through profit or loss. ECL is the difference between all contractual cash flows that are due to the Grouo in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collaterals or other credit enhancements that are integral to the contractual terms.

ECL are recognized in two stages. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date. ECL are measured in a manner that they reflect unbiased and profitability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

In case of trade receivables, the Company follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognized as loss allowance. The Company has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in the statement of comprehensive income.

g) Impairment of non-financial assets

At each reporting date, the Company assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Company estimates the recoverable amount of the asset and recognizes an impairment loss in the statement of comprehensive income. The Company also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognized immediately in the statement of comprehensive income

2 Basis of preparation and significant accounting policies and estimates (Continued)

2.3 Significant accounting policies (Continued)

h) Leases

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

As a lessee

At the lease commencement date, the Company recognizes a right of use asset and a lease liability. 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 include the amount of lease liabilities recognized, 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 (2-20 years). If the 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.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company including payments of penalties for terminating the lease. The lease liability is measured at amortized cost using the effective interest rate method. 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 or a change in the assessment of an option to purchase the underlying asset.

Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

As a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

i) Value added tax (VAT)

Assets, income and expenses are recognized net of the amount of VAT, except:

- When VAT incurred on purchase of assets or services is not recoverable (non-recoverable VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable)
- When receivables and payables are stated with the amount of VAT

The net amount of VAT recoverable from, or payable to, the Federal Tax Authority is included as part of accounts and other receivables/ accounts and other payables in the statement of financial position.

2 Basis of preparation and significant accounting policies and estimates (Continued)

2.3 Significant accounting policies (Continued)

j) Foreign currencies

Functional and presentation currency – The financial statements are presented in Arab Emirates Dirham (AED), which is the Company's functional and presentation currency.

Transactions and balances – Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the reporting date are translated at rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and those measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Exchange differences arising in these cases are dealt in line with the recognition of the gain or loss on the change in fair value of that item.

k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from the past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are not recognized but are disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as provision.

2.4 Significant accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are:

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Trade accounts receivable
The Company applies the simplified approach to measuring expected credit losses to its trade accounts receivable by using a provision matrix. The provision rates are based on days past due for companies of various customer segments that have similar loss patterns (type of product, geography, customer type, rating, security etc.) and is initially based on historical experience. The provision rates are adjusted with current conditions and the Company's view of economic conditions over the expected lives of the receivables. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates (considered as not significant) are analysed.

2 Basis of preparation and significant accounting policies and estimates (Continued)

2.4 Significant accounting estimates (Continued)

Cash and cash equivalents
Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. While cash and cash equivalents are also subject to impairment, the identified impairment loss is considered immaterial.

Impairment of inventories

Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made on their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts 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 historical selling prices.

3 Inventories

	2021 AED	2020 AED
Goods for resale	183,336	84,170
	183,336	84,170

4 Accounts and other receivables

	2021 AED	2020 AED
Trade accounts receivable	988,050	1,592,204
Advance to suppliers	633,390	--
Prepaid expenses	11,125	11,255
VAT receivable	--	12,046
	1,632,565	1,615,505

a) At the reporting date, 53% of trade accounts receivable are due from 9 customers (2020 – 50% due from 12 customers).

b) The ageing analysis of trade accounts receivable is as follows:

	2021 AED	2020 AED
Debts due between 0 – 90 days	948,060	926,183
Debts due between 91 – 180 days	36,400	300,541
Debts due between 181 – 360 days	3,590	274,605
More than 360 days	--	90,875
	988,050	1,592,204

c) Trade accounts receivable are assessed for impairment based on a provision matrix and loss allowances are recognized based on lifetime expected credit losses.

d) Unimpaired trade accounts receivable are considered collectible based on historic experience.

5 Bank balances and cash

	2021 AED	2020 AED
Current accounts with banks	254,645	379,067
Cash and cash equivalents	254,645	379,067

6 Share capital

	2021 AED	2020 AED
Authorized, issued and paid-up capital:		
300 share of AED 300,000	300,000	300,000

7 Legal reserve

As required by the Federal Law No. (2) of 2015 relating to commercial companies, 10% of the profit for the year has been transferred to a legal reserve. Further, in accordance with the provisions of the said laws, the Company may resolve to discontinue such annual transfers once the balance in the reserve account reaches 50% of the share capital. The reserve is not available for distribution except in circumstances as stipulated in the said law.

8 Shareholders' current accounts

The shareholders' current accounts are unsecured, interest free and there are no defined repayment arrangements.

9 Accounts and other payables

	2021 AED	2020 AED
Management fee payable (Note 15)	1,365,526	--
Due to a shareholder	362,430	--
Trade accounts payable	47,887	--
Advance from customers	78,018	--
VAT payable	56,882	--
Due to a related parties	556	2,057,873
	1,911,299	2,057,873

10 Revenue

	2021 AED	10 months period from the date of incorporation on 23 May 2019 to 31 March 2020 AED
Third parties	9,541,122	2,654,348
	9,541,122	2,654,348

Revenue represents revenue from sale of goods with third party customers in United Arab Emirates and are being recognized at a point in time.

11 Direct costs

	2021 AED	10 months period from the date of incorporation on 23 May 2019 to 31 March 2020 AED
Opening Stock	84,170	--
Purchases (Note 15)	7,726,005	2,749,165
Closing stock	(183,336)	(84,170)
Cost of goods sold	7,626,839	2,664,995

12 Other income

	2021 AED	10 months period from the date of incorporation on 23 May 2019 to 31 March 2020 AED
Miscellaneous income	5,597	--
	5,597	--

13 General and administration expenses

	2021 AED	10 months period from the date of incorporation on 23 May 2019 to 31 March 2020 AED
Rent	26,382	21,263
Legal and professional expenses	25,000	20,833
Repairs and maintenance	--	5,402
	51,382	47,498

14 Finance charges

	2021 AED	10 months period from the date of incorporation on 23 May 2019 to 31 March 2020 AED
Bank charges	2,164	138
	2,164	138

15 Related party transactions

The Company has in the ordinary course of business, entered into trading and financial transactions with concerns, in which the shareholder/directors/manager and/or their relatives have an investing/controlling interest. Prices and terms of these transactions are approved by the management.

The volumes of these transactions during the year / period were:

15 Related party transactions (Continued)

Related party relationship	Type of transaction	2021 AED	10 months period from the date of incorporation on 23 May 2019 to 31 March 2020 AED
General Manager	General manager remuneration	362,430	67,848
Shareholder	Management fee (Note 9)	1,365,526	--
	Purchases (Note 11)	7,726,005	2,749,165
		========	========

The amounts due to / from related parties are unsecured, interest free and are payable or receivable on demand. Management fee represents fee payable to a shareholder based on the terms of arrangements entered between the Company and the shareholders.

16 Financial risk and capital management

16.1 Financial risk factors

Financial assets of the Company include accounts and other receivables and bank balances and cash. Financial liabilities include accounts and other payables. The management believes that the fair values of the financial assets and liabilities approximate to their carrying amounts

The Company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance. Under the Company's risk management programme, management identifies and documents key risks and sets out policies and procedures required to mitigate these risks.

a) Currency risk

The Company operates mainly in the Middle East region. The currencies of many countries in the Middle East region in which the Company operates is fixed to the Arab Emirates Dirham and therefore the exposure to foreign exchange risk arising from transactions in those currencies is not material.

b) Credit risk

The Company has significant concentrations of credit risk at the reporting date (Note 4 a)). However, it has policies in place to ensure that sales are made to customers with an appropriate credit history. Cash is placed with high quality and established commercial banks.

c) Liquidity risk

The Company manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

The Company manages liquidity risk on the basis of expected maturity dates of liabilities which is categorized as follows:

31 March 2021	On demand AED	0-3 months AED	3-12 months AED	Total AED
Trade accounts payable	--	47,887	--	47,887
Management fee payable	1,365,526	--	--	1,365,526
Due to related party	556	--	--	556
Due to a shareholder	362,430	--	--	362,430
VAT payable	--	56,882	--	56,882
	---	---------	----	---------
	1,728,512	104,769	--	1,833,281
	========	========	==	=======

16 Financial risk and capital management (Continued)

16.1 Financial risk factors (Continued)

c) Liquidity risk (Continued)

31 March 2020	On demand AED	0-3 months AED	3-12 months AED	Total AED
Due to related party	2,057,873	--	--	2,057,873
	2,057,873	--	--	2,057,873

16.2 Capital management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Company manages the shareholders' funds and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the shareholders' funds, the Company may adjust the amount of dividends paid to shareholders, return funds to shareholders, issue new shares, or sell assets to reduce its exposure to debt.

17 Contingent liabilities and commitments

There were no significant contingent liabilities and capital commitments at the reporting date.

18 Impact of COVID-19

The outbreak of novel coronavirus (COVID-19) and its spread throughout the world, has adversely affected the general economic conditions. The management has assessed the impact of COVID-19 on the financial statements and has considered no material impact. In the context of the uncertainty on the severity and duration of the pandemic, the impact on revenues, profitability and financial position of the Company subsequent to the reporting date cannot be predicted at this time. The Company is closely monitoring the situation and taking necessary steps in adherence with the guidelines of the relevant authorities to reduce the impact on its employees and operations.

19 Comparative figures

Current year figures relate to the 12 months period ended 31 March 2021 and are not directly comparable with the previous period figures of 10 months from the date of incorporation on 23 May 2019 to 31 March 2020. Otherwise, certain of the previous period figures have been regrouped / reclassified wherever necessary to confirm with the presentation of the current year figures.