# Samvardhana Motherson Global (FZE)

## FINANCIAL STATEMENTS

### 31 MARCH 2020

motherson

## DIRECTORS' REPORT

The Directors present their report and audited financial statements for Samvardhana Motherson Global (FZE) (the "Establishment") for the year ended 31 March 2020.

## PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the Establishment is to provide business consultancy services to the related parties and coordination and inspection services to third parties.

The total service income of the Establishment for the year ended 31 March 2020 is USD 5,523,630 (2019: USD 5,036,723). The Establishment reported a profit of USD 1,533,063 for the year ended 31 March 2020 (2019: USD 1,366,961).

## DIRECTORS

The Directors who served during the year were:

Vivek Chaand Sehgal (Chairman)
Bimal Dhar

## AUDITOR

Ernst and Young were appointed as external auditor of the Establishment for the year ended 31 March 2020. Ernst & Young, have indicated their willingness to continue as auditor of the Establishment for the year ending 31 March 2021.

For and on behalf of the Board of Directors

__________________________________

Atul Kumar Agarwal
Manager on Trade License

P.O. Box: 371231
DUBAI - U.A.E.
SAMVARDHANA MOTHERSON GLOBAL FZE (BRANCH)

27/05/2020

Sharjah, United Arab Emirates

**SAMVARDHANA MOTHERSON GLOBAL FZE (Branch)**
7W A 2027, PO Box 371231
Dubai Airport Free Zone (DAFZ)
Dubai, UAE.
Phone : +971-4-2372027
Website : www.motherson.com

**Registered office**:
**SAMVARDHANA MOTHERSON GLOBAL (FZE)**
H3-058, PO Box 513142
SAIF Zone, Sharjah, UAE.

Building a better
working world

**Ernst & Young**
P.O. Box 1350
BM Towers, Office No. 105
Al Ittihad Street, Al Nahda
Sharjah
United Arab Emirates

Tel: +971 6 558 3078
Fax: +971 6 558 3079
ey.com/mena

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF SAMVARDHANA MOTHERSON GLOBAL (FZE)

## Report on the Audit of the Financial Statements

*Opinion*

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

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

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Establishment in accordance with the International 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 Shareholder 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 Establishment's memorandum of association, and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Establishment's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

Shareholder is responsible for overseeing the Establishment'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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Building a better
working world

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF SAMVARDHANA MOTHERSON GLOBAL (FZE) (continued)

### Report on the Audit of the Financial Statements (continued)

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Establishment's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Establishment to cease to continue as a going concern.

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

We communicate with the shareholder 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.

For Ernst & Young

TS. Hari Gopal

Signed by:
Thodla Hari Gopal
Partner
Registration No.: 689

Ernst & Young
P.O. Box 1350
SHARJAH - UAE

2 June 2020

Sharjah, United Arab Emirates

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

| | *Notes* | ***2020 USD*** | *2019 USD* |
|---|---|---|---|
| Revenue from contracts with customers | 3 | **5,523,630** | 5,036,723 |
| Operating expenses | 4 | **(3,975,129)** | (3,649,574) |
| **OPERATING PROFIT** | | **1,548,501** | 1,387,149 |
| Finance cost | 5 | **(15,438)** | (20,188) |
| **PROFIT FOR THE YEAR** | | **1,533,063** | 1,366,961 |
| Other comprehensive income | | **-** | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **1,533,063** | 1,366,961 |

The attached notes 1 to 17 form part of these financial statements.

Samvardhana Motherson Global (FZE)

# STATEMENT OF FINANCIAL POSITION

At 31 March 2020

| | *Notes* | ***2020 USD*** | *2019 USD* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 6 | **96,219** | 180,824 |
| Right-of-use assets | 7 | **47,689** | - |
| | | **143,908** | 180,824 |
| **Current assets** | | | |
| Prepayments and other receivables | 8 | **171,231** | 163,877 |
| Due from related parties | 10 | **899,656** | 1,614,421 |
| Bank balances and cash | 9 | **1,808,202** | 1,761,542 |
| | | **2,879,089** | 3,539,840 |
| **TOTAL ASSETS** | | **3,022,997** | 3,720,664 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 11 | **40,839** | 40,839 |
| Retained earnings | | **2,304,135** | 1,680,072 |
| **Total equity** | | **2,344,974** | 1,720,911 |
| **Non-current liability** | | | |
| Employees' end of service benefits | 12 | **147,758** | 114,246 |
| Lease liabilities | 7 | **25,735** | - |
| | | **173,493** | 114,246 |
| **Current liabilities** | | | |
| Due to related parties | 10 | **131,947** | 159,652 |
| Trade and other payables | 13 | **350,056** | 1,725,855 |
| Lease liabilities | 7 | **22,527** | - |
| | | **504,530** | 1,885,507 |
| **Total liabilities** | | **678,023** | 1,999,753 |
| **TOTAL EQUITY AND LIABILITIES** | | **3,022,997** | 3,720,664 |

سامفاردهانا مدرصن جلوبال م.م.ح (فرع)
P.O. Box: 371231
DUBAI - U.A.E.
SAMVARDHANA MOTHERSON GLOBAL FZE (BRANCH)

For and on behalf of
Samvardhana Motherson Global (FZE)

| | | |
|---|---|---|
| Atul Kumar Agarwal | Brett Dienhoff | Rajeev Gupta |
| Manager on Trade License | Chief Operating Officer | Chief Financial Officer |

The attached notes 1 to 17 form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

| | *Share capital USD* | *Retained earnings USD* | *Total USD* |
|---|---|---|---|
| At 1 April 2018 | 40,839 | 1,063,111 | 1,103,950 |
| Profit for the year | - | 1,366,961 | 1,366,961 |
| Total comprehensive income for the year | - | 1,366,961 | 1,366,961 |
| Interim dividend declared (note 11) | - | (750,000) | (750,000) |
| At 31 March 2019 | 40,839 | 1,680,072 | 1,720,911 |
| Profit for the year | - | 1,533,063 | 1,533,063 |
| Total comprehensive income for the year | - | 1,533,063 | 1,533,063 |
| Dividend declared (note 11) | - | (909,000) | (909,000) |
| **At 31 March 2020** | **40,839** | **2,304,135** | **2,344,974** |

The attached notes 1 to 17 form part of these financial statements.

# STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

| | *Notes* | ***2020 USD*** | *2019 USD* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the year | | **1,533,063** | 1,366,961 |
| Adjustments for: | | | |
| Depreciation | 6 | **89,660** | 122,341 |
| Depreciation on right-of-use assets | 7 | **17,067** | - |
| Loss on sale of property and equipment | 4 | **-** | 705 |
| Provision for employees' end of service benefits | 12 | **52,100** | 40,594 |
| Finance cost | 5 | **15,438** | 20,188 |
| | | **1,707,328** | 1,550,789 |
| Working capital changes: | | | |
| Prepayment and other receivables | | **(7,354)** | (40,434) |
| Due from related parties | | **714,765** | (1,112,536) |
| Loan from Parent Company | | **-** | (369,630) |
| Due to related parties | | **(27,705)** | 139,367 |
| Trade and other payables | | **(625,799)** | 894,129 |
| Cash from operating activities | | **1,761,235** | 1,061,685 |
| Employees' end of service benefits paid | 12 | **(18,588)** | - |
| Net cash flows from operating activities | | **1,742,647** | 1,061,685 |
| **INVESTING ACTIVITY** | | | |
| Purchase of property and equipment | 6 | **(5,055)** | (130,624) |
| Cash flow used in investing activity | | **(5,055)** | (130,624) |
| **FINANCING ACTIVITIES** | | | |
| Dividend paid | 11 | **(1,659,000)** | - |
| Finance cost paid | | **(12,176)** | (20,188) |
| Lease liabilities | 7 | **(19,756)** | - |
| Net cash flows used in financing activities | | **(1,690,932)** | (20,188) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **46,660** | 910,873 |
| Cash and cash equivalents as at the beginning of the year | | **1,761,542** | 850,669 |
| **CASH AND CASH EQUIVALENTS AT 31 MARCH** | | **1,808,202** | 1,761,542 |

The attached notes 1 to 17 form part of these financial statements.

## 1 ACTIVITIES

Samvardhana Motherson Global (FZE) (the “Establishment”) is registered as a Free Zone Establishment in the Emirate of Sharjah, United Arab Emirates (“UAE”) with trade license number 15115 under applicable provisions of the Implementation Regulations issued pursuant to Law No. 2 of 1995, concerning the formation of Free Zone Establishments in the Sharjah Airport International Free Zone. The address of registered office of the Establishment is P.O. Box no. 513142, Sharjah.

The Establishment is fully owned by Samvardhana Motherson Reflectec Group Holdings Limited (Jersey) (the “Parent Company”). The Establishment has also established a branch in the Dubai Airport Free Zone Authority on 31 May 2015 with trade license number 02929. The accompanying financial statements are of the Establishment and includes the Dubai branch. The ultimate parent company is Motherson Sumi Systems Limited, India, a company listed on National Stock Exchange of India.

The principal activity of the Establishment is to provide business consultancy services to the related parties and coordination and inspection services to third parties.

The financial statements were authorized for issue by the directors on 27 May 2020.

## 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis except for measurement of derivatives. The financial statements are presented in US Dollar (USD), which is also the functional and reporting currency of the Establishment. This is different from the currency of the country in which the Establishment is domiciled i.e. UAE Dirhams (AED).

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

**New and amended standards and interpretations effective for annual period beginning on or after 1 April 2019**
The Establishment applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Establishment. The Establishment has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**IFRS 16 Leases**
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Establishment adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at the date of initial application. The Establishment elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 April 2019. Instead, the Establishment applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Establishment also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**New and amended standards and interpretations effective for annual period beginning on or after 1 April 2019 (continued)**

**IFRS 16 Leases (continued)**
The Establishment has lease contracts for land and building. Before the adoption of IFRS 16, the Establishment classified each of its leases (as lessee) at the inception date as operating lease. Refer to note 2.4 Leases for the accounting policy prior to 1 April 2019.

Upon adoption of IFRS 16, the Establishment applied a single recognition and measurement approach for all leases except for short-term leases. The Establishment recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use asset was recognised based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liability was recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. In accordance with the modified retrospective method of adoption.

The Establishment also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The Establishment has ongoing discussion in relation to plans for moving office, considering office leases are annual in nature, and Establishment can shift premises without having to incurring substantial cost, such leases are considered for short term lease exemption and are not considered for IFRS 16.

The Establishment only has short-term leases at 1 April 2019. Hence, there is no transition adjustment on account of adoption of IFRS 16.

*Nature of the effect of adoption of IFRS 16*
The Establishment has a lease contract for its leasehold improvements. Before the adoption of IFRS 16, the Establishment classified its lease at the inception date as an operating lease. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in the statement of comprehensive income on a straight-line basis over the lease term. Any prepaid rental and accrued rental were recognised under prepayments and other liabilities, respectively.

Upon adoption of IFRS 16, the Establishment applied a single recognition and measurement approach for its leases that it is the lessee, except for short-term leases and leases of low-value assets. The Establishment recognised lease liability to make lease payments and right-of-use assets representing the right to use the underlying assets.

**Other amendments and improvements**
The following amendments and improvements, which became effective 1 April 2019, did not have any significant impact on the Establishment's financial statements:

- IFRIC Interpretation 23: Uncertainty over Income Tax Treatment
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle:
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements
  - IAS 12 Income Taxes
  - IAS 23 Borrowing Costs

## 2.3 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

- IFRS 17 Insurance Contracts – applicable from 1 April 2021
- Amendments to IFRS 3: Definition of a Business – applicable from 1 April 2020
- Amendments to IAS 1 and IAS 8: Definition of Material – applicable from 1 April 2020
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate Benchmark Reform – applicable from 1 April 2020
- Amendments to IAS 1: Classification of liabilities as current or non-current – applicable from 1 April 2022

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Revenue recognition**
The Establishment is in the business of providing business consultancy and procurement services. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Establishment expects to be entitled in exchange for services. The Establishment has generally concluded that it is the principal in its business consultancy arrangements, except for the agency services below, because it typically controls the services before transferring them to the customer.

The following specific recognition criteria must also be met before revenue is recognised:

***Contract revenue and revenue from sale of goods***
The Establishment recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

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

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

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

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

Revenue is recognised in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

***Business consultancy services***
The Establishment concluded that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Establishment. Consequently, under IFRS 15 the Establishment would continue to recognise revenue for these service contracts over time rather than at a point of time.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Revenue recognition (continued)**

***Procurement services***
The Establishment has contracts with customers to acquire, on their behalf, equipment produced by foreign suppliers. The Establishment is acting as an agent in these arrangements. Revenue from the services are recognised at a point in time.

***Coordination and inspection services***
The Establishment provides services to suppliers relating to inspection of equipment supplied by them to the customers and coordination of payments from customers to the suppliers. Revenue from the services are recognised at a point in time based on all payments received by suppliers from the customers during each twelve month period calculated as per agreement.

When another party is involved in providing goods or services to its customer, the Establishment determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Establishment is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Establishment's role is only to arrange for another entity to provide the goods or services, then the Establishment is an agent and will need to record revenue at the net amount that it retains for its agency services.

The Establishment determined that it did not control the services before they are transferred to customers. Hence, it is an agent in these service contracts as it does not have the ability to direct the use of the equipment or obtain benefits from the equipment. This change did not affect the statement of financial position.

The following factors indicate that the Establishment does not control the goods before they are being transferred to customers. Therefore, the Establishment determined that it is an agent in these contracts.

- The Establishment is not primarily responsible for fulfilling the promise to provide the specified goods or services.
- The Establishment does not have inventory risk before or after the specified goods has been transferred to the customer.
- The Establishment has no discretion in establishing the price for the specified goods or services.

In addition, the Establishment concluded that it transfers control over its services, at a point in time, upon receipt by the customer of the goods or services, because this is when the customer benefits from the Establishment's agency service.

**Foreign currencies**
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. All other foreign exchange gain and losses are presented in the Statement of comprehensive income within 'operating expenses'.

**Property and equipment**
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Property and equipment comprise building and fit-out, computer and IT equipment and furniture and fixtures. Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

| | |
|---|---|
| Building and fit-out | 4-10 years |
| Computer and IT equipment | 4-6 years |
| Furniture and fixtures | 4-5 years |

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and equipment (continued)**
The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate 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 property and equipment that is accounted for separately is capitalised and the carrying amount of the components that is replaced is written off.

Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

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

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

Fully depreciated property and equipment 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.

**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 at 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.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Establishment's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Establishment has applied the practical expedient, the Establishment 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 Establishment has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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 Establishment'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 Establishment commits to purchase or sell the asset.

The Establishment's financial assets include bank balances and cash, trade and other receivables and due from related parties which are carried at amortised cost and derivative financial assets which are carried at fair value through profit or loss.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

***i. Financial assets (continued)***

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

- Financial assets at fair value through profit or loss – The Establishment has not designated any financial asset as fair value through profit or loss;
- Financial assets at amortised cost (debt instruments) – The Establishment subsequently measures financial assets at amortised cost using EIR method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognized, modified or impaired;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) - The Establishment has not designated any financial asset at fair value through OCI with recycling of cumulative gains and losses; and
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) **-** The Establishment has not designated any financial asset at fair value through OCI with no recycling of cumulative gains and losses upon derecognition.

**Due from related parties**
Amounts due from related parties are stated at original invoice amount less provision for expected credit losses. An estimate for expected credit losses is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

When a trade accounts receivable and amounts due from related parties are uncollectible, it is written off against the provision for expected credit losses. Subsequent recoveries of amounts previously written off are shown as other income in the statement of comprehensive income.

**Cash and cash equivalents**
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, net of bank overdrafts.

**Derecognition**
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Establishment 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 of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Establishment’s continuing involvement in the asset. In that case, the Establishment 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 Establishment 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 Establishment could be required to repay.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

***i. Financial assets (continued)***

**Impairment of financial assets**
Disclosures relating to impairment of financial assets are provided in the notes to these financial statements.

- Disclosures for significant assumptions

The Establishment recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Establishment expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral 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).

Trade and other operating receivables are depreciated according to the simplified IFRS 9 model. From inception, trade receivables, bank balances and due from related parties are depreciated to the extent of the expected losses over their remaining maturity.

The credit risk of trade receivables, bank balances and due from related parties are assessed on a collective basis using the risk profile assessment provided by an external agency. The provision for expected credit losses is evaluated using (i) the probabilities of default communicated by a credit agency, (ii) historical default rates, (iii) aging balance, (iv) as well as the Establishment's assessment of the credit risk considering actual guarantees and credit insurance.

Once it is known with certainty that a doubtful receivable will not be collected, the doubtful account and its related depreciation are written off through the income statement. Accounts receivable are discounted in cases where they are due in over one year and the discounting impact is significant.

The Establishment considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Establishment may also consider a financial asset to be in default when internal or external information indicates that the Establishment is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Establishment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

***ii Financial liabilities***

**Initial recognition and measurement**
Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Establishment determines the classification of its financial liabilities at initial recognition.

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

**Subsequent measurement**
The Establishment's financial liabilities include accounts payable and accruals and amounts due to related parties.

The Establishment has not designated any financial liability as at fair value through profit or loss. The measurement of financial liabilities depends on their classification.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

***ii Financial liabilities (continued)***

**Subsequent measurement (continued)**

*Provisions*
Provisions are recognised when the Establishment has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Establishment 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 any 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.

*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**
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 profit or loss.

***iii Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if,

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

***iv Fair value of financial instruments***

The Establishment measures financial instruments, such as, derivatives, and non-financial assets such as property and equipment and investment properties, 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 Establishment.

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

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

***iv Fair value of financial instruments (continued)***

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Establishment 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.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. Management decides, after discussions with the Establishment's external valuers, which valuation techniques and inputs to use for each case.

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 Establishment'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.

Management in conjunction with the Establishment's external valuers, also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On a periodic basis, Management and the Establishment's external valuers present the valuation results to the Establishment's independent auditors. This includes a discussion of the major assumptions used in the valuation.

For the purpose of fair value disclosures, the Establishment 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.

**Impairment of non-financial assets**

The Establishment 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 Establishment estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use 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. 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 to sell, recent market transactions are taken into account, if available. 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 entities or other available fair value indicators.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of non-financial assets (continued)**
The Establishment bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Establishment's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering 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.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Establishment estimates the assets or CGUs 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 income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**Dividends**
Dividends on share are recognised as a liability and deducted from equity when they are approved by the shareholder. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Establishment.

**Value added tax**
Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised 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 value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the financial statements.

**Derivatives**
The Establishment enters into derivative instruments including forwards, futures, forward rate agreements, swaps, credit default swap and options in the foreign exchange, interest rate and capital markets. Derivative transactions, while providing effective economic hedges under the Establishment's asset and liability management and risk management positions, do not qualify for hedge accounting and are therefore accounted for as derivatives held for trading. These are stated at fair value. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. Changes in the fair values of derivatives held for trading are included in exchange gain/(expenses) in the statement of comprehensive income.

**Employees' end of service benefits**
The Establishment provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' 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.

**Leases**
*Applicable from 1 April 2019*
The Establishment 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.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**
*Applicable from 1 April 2019 (continued)*

*i) Right-of-use assets*
The Establishment 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, as follows:

| | |
|---|---|
| Right of use assets | 1 – 3 years |

If ownership of the leased asset transfers to the Establishment 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 section Impairment of non-financial assets.

*ii) Lease liabilities*
At the commencement date of the lease, the Establishment 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 in-substance 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 Establishment and payments of penalties for terminating the lease, if the lease term reflects the Establishment 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 Establishment 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 Establishment applies the short-term lease recognition exemption to its short-term leases (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.

*Applicable before 1 April 2019*
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of comprehensive income on a straight—line basis over the period of the lease.

**Contingencies**
Contingent liabilities are not recognized 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 recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized 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 Establishment classifies all other liabilities as non-current.

**2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods 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:

**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 Establishment 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 Establishment. Such changes are reflected in the assumptions when they occur.

*Useful life for right-of-use assets*
The Establishment assesses on an annual basis the useful life of leasehold improvements taking into consideration the economic life of asset and the life of the respective operating leases. The economic life is mainly based on the technical certification and frequency of general maintenance. The operating lease term is based on contractual term of the lease.

Management monitors renewals of lease agreements on continuous basis. Whenever the lease agreement is not renewed and the premises has to be vacated, the carrying net book value of the related leasehold improvements is charged to the statement of income immediately.

Management estimated that the useful life of the right of use assets is 1 to 3 years (subject to lease termination) which reflects the actual use of those assets evidenced by the historical expenditure incurred and agreement with the franchisor. Management believes that the lease would be available to the Establishment on an on-going basis in the foreseeable future.

### 2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (continued)

**Estimates and assumptions (continued)**

*Leases - Estimating the incremental borrowing rate*
The Establishment cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Establishment would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Establishment 'would have to pay', which requires estimation when no observable rates are available. The Establishment estimates the IBR using observable inputs such as the average interest rate on the bank overdraft i.e. 9.75% p.a.

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

*Provision for expected credit losses of dues from related parties*
The Establishment uses a provision matrix to calculate ECLs for dues from related parties. The provision rates are based on days past due for groupings of various related parties that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Establishment's historical observed default rates. The Establishment will calibrate the matrix 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 in the service sector, 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.

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 Establishment's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As at the date of the statement of financial position, gross dues from related party were USD 899,656 (2018: USD 1,614,421) with no allowance against impairment (2018: Nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

*Fair value of financial instruments*
When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

| *Nature of revenue* | ***31 March 2020 USD*** | *31 March 2019 USD* |
|---|---|---|
| Business consultancy services | **4,173,511** | 3,749,706 |
| Coordination and inspection services | **1,340,095** | 1,178,139 |
| Procurement services | **10,024** | 108,878 |
| **Total revenue from contracts with customers** | **5,523,630** | 5,036,723 |

## 3 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

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

| | *31 March 2020 USD* | *31 March 2019 USD* |
|---|---|---|
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **1,350,119** | 1,287,017 |
| Services provide over the period of time | **4,173,511** | 3,749,706 |
| **Total revenue from contracts with customers** | **5,523,630** | 5,036,723 |

**Performance obligation**
Information about the Establishment's performance obligations are summarised below:

The Establishment is involved in the providing business consultancy services to its affiliates and coordination and inspection services to third parties. The performance obligation is satisfied when services are transferred to the affiliate and the payment is generally due within 60 to 90 days from the date of transfer of service. The contracts with the customers generally do not provide the customers with a right of return.

The amount of consideration for the services is fixed based on the transaction price agreed with the affiliates and customers and there are no other promises in the contract with the affiliates and customers that are determined as separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of the services, the Establishment considered the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the affiliates (if any) and has concluded that there are no such considerations included in the transaction price. There is no transaction price allocated to unsatisfied performance obligations as of the reporting date.

## 4 OPERATING EXPENSES

| | *31 March 2020 USD* | *31 March 2019 USD* |
|---|---|---|
| Staff costs | **2,172,563** | 1,947,562 |
| Travelling expenses | **302,983** | 385,184 |
| Software expenses | **312,417** | 371,865 |
| Rent expense related to short-term and low value leases (Note 7) | **195,060** | 192,968 |
| Depreciation (Note 6) | **89,660** | 122,341 |
| Depreciation of right-of-use assets (Note 7) | **17,067** | - |
| Subscription fees | **175,828** | 84,350 |
| Professional expenses | **106,334** | 74,109 |
| Telephone and postage | **55,317** | 65,292 |
| Office expenses | **17,690** | 59,805 |
| Recruitment expenses | **112** | 54,511 |
| Insurance | **72,712** | 44,208 |
| Visa expenses | **2,020** | 18,172 |
| Loss on sale of property and equipment | **-** | 705 |
| Vehicle hiring & maintenance charges | **286,259** | 50,952 |
| Others | **169,107** | 177,550 |
| | **3,975,129** | 3,649,574 |

**5 FINANCE COST**

| | ***31 March 2020 USD*** | *31 March 2019 USD* |
|---|---|---|
| Interest expense | **12,176** | 20,188 |
| Finance costs on lease liabilities (Note 7) | **3,262** | - |
| | **15,438** | 20,188 |

**6 PROPERTY AND EQUIPMENT**

| | *Building and fit-out USD* | *Computer and IT equipment USD* | *Furniture, and fixtures USD* | *Total USD* |
|---|---|---|---|---|
| Cost: | | | | |
| At 1 April 2019 | 100,982 | 244,898 | 133,656 | 479,536 |
| Additions | - | 5,055 | - | 5,055 |
| At 31 March 2020 | **100,982** | **249,953** | **133,656** | **484,591** |
| Accumulated depreciation: | | | | |
| At 1 April 2019 | 60,725 | 159,333 | 78,654 | 298,712 |
| Charge for the year (Note 4) | 22,549 | 53,699 | 13,412 | 89,660 |
| At 31 March 2020 | **83,274** | **213,032** | **92,066** | **388,372** |
| Net carrying amount: | | | | |
| **At 31 March 2020** | **17,708** | **36,921** | **41,590** | **96,219** |

| | *Building and fit-out USD* | *Computer and IT equipment USD* | *Furniture, and fixtures USD* | *Total USD* |
|---|---|---|---|---|
| Cost: | | | | |
| At 1 April 2018 | 71,257 | 196,864 | 88,343 | 356,464 |
| Additions | 29,725 | 48,034 | 52,865 | 130,624 |
| Disposals | - | - | (7,552) | (7,552) |
| At 31 March 2019 | 100,982 | 244,898 | 133,656 | 479,536 |
| Accumulated depreciation: | | | | |
| At 1 April 2018 | 38,324 | 84,957 | 59,937 | 183,218 |
| Charge for the year (note 4) | 22,401 | 74,376 | 25,564 | 122,341 |
| Disposals | - | - | (6,847) | (6,847) |
| At 31 March 2019 | 60,725 | 159,333 | 78,654 | 298,712 |
| Net carrying amount: | | | | |
| At 31 March 2019 | 40,257 | 85,565 | 55,002 | 180,824 |

## 7 LEASES

***Establishment as a lessee***

The Establishment has lease contracts in relation to its vehicles. Leases of vehicles have remaining lease terms up to 3 years. The Establishment's obligation under its leases are secured by the lessor's title to the leased assets. Generally, the Establishment is restricted from assigning and subleasing the leased asset.

The Establishment also has leases of other assets with lease terms of 12 months or less. The Establishment applies the 'short-term lease' recognition exemptions for those leases.

Below are the carrying amounts of right-of-use assets recognised and movements during the year:

| | *Vehicle 2020 USD* |
|---|---|
| Addition during the year | **64,756** |
| Depreciation charge for the year | **(17,067)** |
| At 31 March 2020 | **47,689** |

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

| | *2020 USD* |
|---|---|
| Addition during the year | **64,756** |
| Accrual of interest | **3,262** |
| Lease payments | **(19,756)** |
| At 31 March 2020 | **48,262** |
| Current | **22,527** |
| Non-current | **25,735** |
| At 31 March 2020 | **48,262** |

The following are the amounts recognised in statement of comprehensive income:

| | *2020 USD* |
|---|---|
| Depreciation expenses on right of use assets (Note 4) | **17,067** |
| Interest expenses on lease liabilities (Note 5) | **3,262** |
| Expenses related to short term leases (Note 4) | **195,060** |
| **Total amount recognised in comprehensive income** | **215,389** |

The Establishment had total cash outflows of USD 19,756 in 2020 which relates to payment of lease liabilities. The Establishment also had non-cash additions to right-of-use assets and lease liabilities of USD 64,756 in 2020 upon adoption of IFRS 16. There are no leases that have not yet commenced at the reporting date.

The Establishment does not have leases that contains variable payments.

The Establishment has no other lease contracts which are not included above that has extension and termination options.

## 8 PREPAYMENTS AND OTHER RECEIVABLES

| | ***2020*** | *2019* |
|---|---|---|
| | ***USD*** | *USD* |
| Prepayments | **105,630** | 122,429 |
| Other receivables | **19311** | 21,905 |
| Derivative financial assets (Note 14) | **46,290** | 19,543 |
| | **171,231** | 163,877 |

## 9 BANK BALANCES AND CASH

Cash and cash equivalents in the statement of cash flows consist of the following amounts relating to the statement of financial position:

| | ***2020*** | *2019* |
|---|---|---|
| | ***USD*** | *USD* |
| Cash in hand | **737** | 7,014 |
| Bank balances | **1,807,465** | 1,754,528 |
| | **1,808,202** | 1,761,542 |

## 10 RELATED PARTY TRANSACTIONS

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

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

| | ***2020*** | *2019* |
|---|---|---|
| | ***USD*** | *USD* |
| Revenue | **4,183,535** | 3,858,584 |
| Software expenses | **(312,417)** | (371,865) |
| Vehicle hiring & maintenance charges | **(253,711)** | **-** |

## 10 RELATED PARTY TRANSACTIONS (continued)

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

**Due from related parties**

| | ***2020 USD*** | *2019 USD* |
|---|---|---|
| MSSL Global RSA Module Engineering Limited | **262,196** | - |
| SMR Automotive Mirror Technology Hungary | **116,527** | 64,058 |
| SMP Deutschland GmbH | **92,908** | 179,797 |
| SMRC Automotive Holdings Netherlands B.V. | **77,028** | - |
| SMP Automotive Systems Alabama Inc.Tuscaloosa | **48,046** | 77,377 |
| SMR Automotive Systems USA Inc | **41,638** | 25,129 |
| SMP Automotive Technology Iberica S.L (Castellbisbal) | **32,744** | 4,701 |
| Motherson Automotive Technologies & Engineering | **31,549** | 54,572 |
| SMP Automotive Systems Mexico SA | **20,782** | 40,474 |
| SMR Automotive Systems India Limited (Tamil Nadu) | **20,272** | 20,070 |
| SMP Automotive Exterior GmbH-Schierling | **19,136** | 13,336 |
| SMP Automotive Technologies Teruel SLU (Spain) | **18,207** | 3,959 |
| Motherson Sumi Systems Ltd. Noida | **18,000** | - |
| SMR Automotive Vision Systems Mexico S.A | **14,535** | 16,911 |
| SMR Automotive Modules Korea Ltd | **13,926** | - |
| SMP Automotive Mirror Technology-Kecskemet Hungary | **13,766** | 18,632 |
| SMR Automotive Systems India Ltd (Noida) | **12,127** | 6,579 |
| Samvardhana Motherson Innovative Autosystems | **11,093** | 20,008 |
| SMP Automotive Technology Iberica S.L (Palencia Spain) | **9,731** | 20,785 |
| SMR Hyosang Automotive Ltd | **7,451** | 6,264 |
| SMP Automotive Technology Portugal S.A | **3,761** | 7,391 |
| SMR Automotive Australia Pty Ltd | **3,668** | 9,992 |
| Motherson Air Traveling Agencies | **3,266** | - |
| MSSL Global RSA Module Eng. Ltd | **2,829** | 2,464 |
| Samvardhana Motherson Peguform Barcelona SLU-Spain | **2,404** | - |
| SMR Automotive Systems Spain S.A.U | **2,059** | 5,969 |
| SMR Automotive Australia Pty Ltd. | **7** | - |
| SMP Automotive Produtos Automotivos do Brasil Ltda | **-** | 928,483 |
| SMR Automotive Mirror UK Ltd | **-** | 17,517 |
| MSSL Mideast FZE | **-** | 18,900 |
| SMP Automotive Technology Iberica SLU (Polinya Spain) | **-** | 26,582 |
| SMR Poong Jeong Automotive Mirror Korea Ltd | **-** | 21,408 |
| MSSL GmbH-USD | **-** | 3,063 |
| | **899,656** | 1,614,421 |

**Due to related parties**

| | ***2020 USD*** | *2019 USD* |
|---|---|---|
| SMR-Samvardhana Motherson Corp Management | **39,920** | - |
| MIND- Motherson Sumi InfoTech and Design Ltd. | **26,087** | 42,237 |
| MSSL Australia Pty Ltd | **25,354** | - |
| SMR-Automotive Mirror International USA Inc, USA | **12,634** | 49,458 |
| MSSL GmbH | **10,731** | - |
| Changchun Peguform Automotive Plastics Technology Co.LT | **10,292** | - |
| SMR Automotive Mirrors UK Ltd | **6,929** | - |
| Motherson Air Travelling, India | **-** | 36,045 |
| SMP Deutschland GmbH, Germany | **-** | 30,415 |
| SMR Automotive Australia Pty Ltd. | **-** | 1,497 |
| | **131,947** | 159,652 |

## 10 RELATED PARTY TRANSACTIONS (continued)

**Compensation of key management personnel**
The remuneration of key management personnel during the year was as follows:

| | ***2020 USD*** | *2019 USD* |
|---|---|---|
| Short term benefits | **336,767** | 487,774 |
| Employees' end of service benefits | **10,688** | 61,682 |
| | **347,455** | 549,456 |

## 11 SHARE CAPITAL AND DIVIDEND

| | ***2020 USD*** | *2019 USD* |
|---|---|---|
| *Authorised, issued, and fully paid up:* | | |
| *1 share of AED 150,000 equivalent to USD 40,839* | **40,839** | 40,839 |

**Dividends declared**
Board has declared the dividends during the year totalling USD 909,000 (2019: Interim dividend of USD 750,000) from the Establishment's retained earnings.

## 12 EMPLOYEES' END OF SERVICE BENEFITS

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

| | ***2020 USD*** | *2019 USD* |
|---|---|---|
| At the beginning of the year | **114,246** | 73,652 |
| Provisions during the year | **52,100** | 40,594 |
| End of service benefits paid | **(18,588)** | - |
| At 31 March | **147,758** | 114,246 |

## 13 TRADE AND OTHER PAYABLES

| | ***2020 USD*** | *2019 USD* |
|---|---|---|
| Trade payables | **216,394** | 857,760 |
| Dividends payable (Note 11) | **-** | 750,000 |
| Derivative financial liabilities (Note 14) | **14,322** | 2,562 |
| Other payables | **119,340** | 115,533 |
| | **350,056** | 1,725,855 |

## 14 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Establishment enters into transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. The purpose of derivative financial instruments in the Establishment's business is to mitigate the risks arising from default, currency fluctuations and other market variables. The Establishment uses forward foreign exchange contracts to mitigate the currency risk on certain liabilities.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with the notional amounts. The notional amount, recorded gross is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor credit risk.

| ***31 March 2020*** | ***Positive fair value 2020 USD*** | ***Negative fair value 2020 USD*** | ***Notional amount 2020 USD*** |
|---|---|---|---|
| **Derivative:** | | | |
| Forward foreign exchange contracts | **46,290** | **14,322** | **1,594,931** |

| *31 March 2019* | *Positive fair value 2019 USD* | *Negative fair value 2019 USD* | *Notional amount 2019 USD* |
|---|---|---|---|
| Derivative: | | | |
| Forward foreign exchange contracts | 19,543 | 2,562 | 1,112,539 |

Derivative financial instruments include forward foreign exchange contracts. These instruments are entered into for a period of up to one year. The Establishment has 7 foreign exchange contracts outstanding as at 31 March 2020 (2019: 3 foreign exchange contracts).

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have an impact on the profit or loss of the Establishment. The Establishment's exposure under derivative contracts is closely monitored as part of the overall management of the Establishment's market risk.

***Derivative product type***

*Forwards*

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in over-the-counter market.

***Fair value***

Forwards are measured primarily using valuations provided by the financial institutions based on the observable spot exchange rates and the yield curves of the respective contracts. Disclosures concerning the fair value of derivatives are provided in Note 15.

***Derivative related credit risk***

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Establishment. With gross–settled derivatives, the Establishment is also exposed to a settlement risk, being the risk that the Establishment honours its obligation, but the counterparty fails to deliver the counter value.

## 15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments include financial assets and financial liabilities.

Financial assets consist of bank balances and cash, due from related parties and other receivables. Financial liabilities consist of due to related parties, trade and other payables.

The fair values of financial instruments are not materially different from their carrying values largely due to short term maturity of these instruments. The fair value of the financial assets and liabilities are considered 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.

**Derivatives**
*Determination of fair value and fair value hierarchy:*
The Establishment uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of derivatives recorded at fair value by level of the fair value hierarchy.

***31 Match 2020***

| | ***Level 1 USD*** | ***Level 2 USD*** | ***Level 3 USD*** | ***Total USD*** |
|---|---|---|---|---|
| ***Financial assets*** | | | | |
| Foreign exchange contracts (Note 8) | **-** | **46,290** | **-** | **46,290** |
| ***Financial liabilities*** | | | | |
| Foreign exchange contracts (Note 13) | **-** | **14,322** | **-** | **14,322** |

*31 Match 2019*

| | *Level 1 USD* | *Level 2 USD* | *Level 3 USD* | *Total USD* |
|---|---|---|---|---|
| *Financial assets* | | | | |
| Foreign exchange contracts (Note 8) | - | 19,543 | - | 19,543 |
| *Financial liabilities* | | | | |
| Foreign exchange contracts (Note 13) | - | 2,562 | - | 2,562 |

## 16 RISK MANAGEMENT

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

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

The Establishment does not have any significant exposure to foreign currency risk since the majority of the transactions are denominated in US Dollar, or in currencies which are currently pegged to the USD.

The Establishment's exposure to unhedged foreign currency risk was as follows based on notional amounts:

| | ***Liabilities USD*** |
|---|---|
| **At 31 March 2020** | |
| **CNY** | **254,092** |

| | ***Liabilities USD*** |
|---|---|
| At 31 March 2019 | |
| **CNY** | **835,118** |

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

The Establishment has adopted a policy of only dealing with creditworthy counterparties. The Establishment's credit exposure is continuously monitored and regularly reviewed by the management and the Establishment maintains an allowance for doubtful debts based on expected collectability of all receivable.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by International credit-rating agencies.

The carrying amounts of the financial assets recorded in the financial statements, which is net of impairment losses, represents the Establishment's maximum exposure to credit risks.

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

Cash flow forecasting is performed by management who monitor rolling forecasts of the Establishment's liquidity requirements to ensure it has sufficient cash to meet operational needs.

## 16 RISK MANAGEMENT (continued)

**Liquidity risk**
The tables below summarize the maturity profile of the Establishment's financial liabilities based on contractual undiscounted payments.

***At 31 March 2020***

| | ***Less than 3 months USD*** | ***3 to 12 months USD*** | ***More than 12 months USD*** | ***Total USD*** |
|---|---|---|---|---|
| Trade and other payables | **216,394** | **133,662** | **-** | **350,056** |
| Amounts due to related parties | **131,947** | **-** | **-** | **131,947** |
| Lease liabilities | **7,222** | **18,630** | **26,639** | **52,491** |
| | **355,563** | **152,292** | **26,639** | **534,494** |

*At 31 March 2019*

| | *Less than 3 months USD* | *3 to 12 months USD* | *Total USD* |
|---|---|---|---|
| Trade and other payables | 857,760 | 868,095 | 1,725,855 |
| Amounts due to related parties | 159,652 | - | 159,652 |
| | 1,017,412 | 868,095 | 1,885,507 |

Derivatives financial instruments in the above table are indicated under trade and other payables at the gross undiscounted cash flows. However, these amounts may be settled gross or net.

**Capital risk management**
For the purpose of the Establishment's capital management, capital includes share capital, and retained earnings attributable to the shareholder of the Establishment. The primary objective of the Establishment's capital management is to maximize the shareholder value.

The Establishment manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Establishment may adjust the dividend payment to shareholder, return capital to shareholder. The Establishment monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

For the purpose of the Establishment's capital management, capital includes share capital and retained earnings and is measured at USD 2,344,974 (2019: USD 1,720,911).

## 17 SUBSEQUENT EVENTS

The Establishment has evaluated events and transactions subsequent to the balance sheet date. Based on this evaluation, the Establishment is not aware of any events or transactions that occurred subsequent to the statement of financial position date but prior to the issuance of the financial statements that would require recognition or disclosure other than the matter below:

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact.

**17 SUBSEQUENT EVENTS (continued)**

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements. These developments could impact the Establishment's future financial results, cash flows and financial condition.

The Establishment's operations, cash flows and financial condition may be negatively affected due to the following:

- if employees are quarantined as the result of exposure to COVID 19, this could result in disruption of operations, supply chain delays, trade restrictions and impact on economic activity
- similarly, travel restrictions or operational issues resulting from the rapid spread of COVID 19 may have a material adverse effect on the Establishment's business and results of operations.
- continued decline in oil prices could have an impact, including reduced government spending, in the primary economy in which the Establishment operates in.