**MEL POWER SYSTEMS FZC**

SAIF ZONE, SHARJAH - U.A.E

P.O BOX : 122041

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 2020**

**AND INDEPENDENT AUDITORS' REPORT**

**MEL POWER SYSTEMS FZC**

P.O BOX : 122041

SAIF ZONE, SHARJAH - U.A.E

| **CONTENTS** | **PAGE** |
| --- | --- |
| Director's report | i to ii |
| Independent auditor's report | 1 to 3 |
| Components of the financial statements | |
| - Statement of financial position | 4 |
| - Statement of profit or loss and other comprehensive income | 5 |
| - Statement of changes in equity | 6 |
| - Statement of cash flows | 7 |
| - Notes to the financial statements | 8 to 23 |

MEL POWER SYSTEMS FZC

P.O BOX : 122041

SAIF ZONE, SHARJAH - U.A.E

## DIRECTORS' REPORT

The Board has the pleasure in presenting the report and the audited financial statements of **M/s. MEL POWER SYSTEMS FZC** for the year ended March 31, 2020.

### PRINCIPAL ACTIVITIES:

The principal activity of the company is Import/Export & Distribution of Marine Equipment & Related Spare Parts and activities such as Assembling and manufacturing of power distribution panel, control panels and solar power systems.

There was no significant change in the nature of activities of the Entity during the financial year.

### ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 9 to 16.

### FINANCIAL ANALYSIS

The table below summarizes the results of 31st March 2020 and 31st March 2019.

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| ***Summarized Income Statement*** | AED | AED |
| Revenue | 10,822,229 | 15,174,712 |
| Less: Cost of revenue | (8,914,171) | (11,630,929) |
| **Gross profit** | **1,908,058** | **3,543,783** |
| Less: General and administrative expenses | (958,589) | (2,091,514) |
| Less: Finance expenses | (593,921) | (753,300) |
| **Net profit/(loss) for the year** | **373,695** | **698,969** |
| Gross profit % | 18% | 23% |
| Net profit/(loss) % | 3% | 5% |
| | | |
| ***Summarized Balance Sheet*** | | |
| Non current asset | 4,684,147 | 4,174,587 |
| Current assets | 17,274,934 | 16,230,326 |
| *Less:* | | |
| Non current liabilities | (27,200) | (35,697) |
| Current liabilities | (9,222,248) | (8,033,278) |
| **Equity** | **12,709,633** | **12,335,938** |
| | | |
| Equity | | |
| Share capital | 150,000 | 150,000 |
| Retained earnings | 12,559,633 | 12,185,938 |
| **Total** | **12,709,633** | **12,335,938** |

## DIRECTORS' REPORT (CONTD.)

### PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and their movements are set out in Note 5 to the financial statements.

### EVENTS AFTER THE REPORTING PERIOD

In the opinion of the Borad no transaction or event of a material and unusual nature, favourable or unfavourable has arisen in the interval between the end of the financial year and the date of this report, that is likely to affect, substantially the result of the operations or the financial position of the Entity.

### GOING CONCERN

The financial statements have been prepared on a going concern basis which assumed that the Entity will continue to operate as a going concern for the foreseeable future. The Board gives hope and expectations that the Entity has a glorious future ahead of them to continue in operational existence for the foreseeable future.

### DIRECTORATE

The current Directorate of the Entity is set out below:

Mr.Vinay Krishna Uchil

M/s.Marine Electricals (India) Private Limited

### MANAGING DIRECTOR

Mr.Vinay Krishna Uchil, the manager of the **M/s MEL Power Systems FZC**, looks after the day to day affairs of the company.

### STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Company Law requires the Manager to prepare the financial statements for each financial year which gives a true and fair view of the state of affairs of the Entity and of the net profit or loss for the year.

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Entity and to enable them to ensure that the financial statements comply with relevant Governing Laws.

### AUDITORS

M/s Youssry & Co.Auditing & Consultancy - United Arab Emirates were the external auditors of the Entity for the year ending 31st March 2020 and the Board propose their re-appointment for the next year

**On behalf of the Board of Directors**

**Mr.Vinay Krishna Uchil**

Managing Director

SHARJAH - UNITED ARAB EMIRATES

16-07-2020

**INDEPENDENT AUDITOR'S REPORT**

THE SHAREHOLDERS
**MEL POWER SYSTEMS FZC**
P.O BOX : 122041
SAIF ZONE, SHARJAH - U.A.E

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of **M/s MEL POWER SYSTEMS FZC**, which comprises the statement of financial position as at 31st March 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at 31st 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 Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Entity's financial statements in the UAE, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT (continued)**

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the Sharjah International Airport Free Zone, Sharjah, United Arab Emirates, and for such internal control as management determines 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.
Directors are responsible for overseeing the Entity'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.

As part of an audit in accordance with ISA's, 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 risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

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

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

• Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 disclosure 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 Entity to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT (continued)**

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

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

**Report on Other Legal and Regulatory Requirements**

We also confirm that, in our opinion the financial statements:

i) we have obtained all the information and explanations which we considered necessary for our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Sharjah International Airport Free Zone, Sharjah, United Arab Emirates;

iii) the Entity has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Entity;

v) note 9 to the financial statements discloses material related party transactions and the terms under which they were conducted;

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 Entity has contravened during the financial year any of the applicable provisions of the Sharjah International Airport Free Zone, Sharjah, United Arab Emirates or of its Articles of Association which would materially effect its activities or its financial position of the Entity and
vii) there is no social contributions made during the year.

**Youssry Adel**

**Youssry & Co.Auditing & Consultancy**

**16, July 2020**

**Economic Reg. No. 495**

P.O.Box: 95463
Dubai - U.A.E.

**MEL POWER SYSTEMS FZC**

P.O BOX : 122041

SAIF ZONE, SHARJAH - U.A.E

## STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2020

| | Notes | 31-Mar-20 AED | 31-Mar-19 AED |
|---|---|---|---|
| **ASSETS** | | | |
| NON CURRENT ASSETS | | | |
| Property, plant & equipment | 5 | 1,664 | 12,104 |
| Investment | 6 | 4,682,483 | 4,162,483 |
| **Total non current assets** | | **4,684,147** | **4,174,587** |
| CURRENT ASSETS | | | |
| Inventories | 7 | 2,093,035 | 2,462,330 |
| Trade and other receivables | 8 | 6,400,805 | 6,432,023 |
| Due from related parties | 9 - a | 8,397,157 | 6,498,415 |
| Cash and bank balances | 10 | 383,937 | 837,558 |
| **Total current assets** | | **17,274,934** | **16,230,326** |
| **TOTAL ASSETS** | | **21,959,081** | **20,404,913** |
| **EQUITY & LIABILITIES** | | | |
| EQUITY | | | |
| Share capital | 11 | 150,000 | 150,000 |
| Retained earnings | | 12,559,633 | 12,185,938 |
| **Total equity** | | **12,709,633** | **12,335,938** |
| LIABILITIES | | | |
| NON CURRENT LIABILITIES | | | |
| Provision for end of service benefits | 13 | 27,200 | 35,697 |
| **Total non current liabilities** | | **27,200** | **35,697** |
| CURRENT LIABILITIES | | | |
| Borrowings | 12 | 7,453,335 | 5,790,221 |
| Due to related parties | 9 - b | 189,031 | 1,144,322 |
| Trade and other payables | 14 | 1,579,882 | 1,098,735 |
| **Total current liabilities** | | **9,222,248** | **8,033,278** |
| **Total liabilities** | | **9,249,448** | **8,068,975** |
| **TOTAL EQUITY & LIABILITIES** | | **21,959,081** | **20,404,913** |

*(Notes on pages 8 to 23 form an integral part of these financial statements)*

We approve these Financial Statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgment underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation.

***For MEL Power Systems FZC***

***Managing Director***

**MEL POWER SYSTEMS FZC**

P.O BOX : 122041

SAIF ZONE, SHARJAH - U.A.E

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31ST MARCH 2020

| | | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| | **Notes** | AED | AED |
| Revenue | 15 | 10,822,229 | 15,174,712 |
| Less: Cost of revenue | 16 | (8,914,171) | (11,630,929) |
| **Gross profit** | | **1,908,058** | **3,543,783** |
| Other income | 17 | 18,147 | - |
| | | **1,926,205** | **3,543,783** |
| **Less:** | | | |
| General and administrative expenses | 18 | 948,149 | 2,040,013 |
| Depreciation on fixed assets | 5 | 10,440 | 51,501 |
| Finance charges | 19 | 593,921 | 753,300 |
| **Total expenses** | | **1,552,510** | **2,844,814** |
| **Net profit/(loss) for the year** | | 373,695 | 698,969 |
| Other comprehensive income/(expenses) | | - | - |
| **Total comprehensive income/(loss) for the year** | | **373,695** | **698,969** |

*(Notes on pages 8 to 23 form an integral part of these financial statements)*

**MEL POWER SYSTEMS FZC**

P.O BOX : 122041

SAIF ZONE, SHARJAH - U.A.E

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2020

| | Share Capital | Retained Earnings | Total |
|---|---|---|---|
| | AED | AED | AED |
| **Balance as at 31 March 2018** | **150,000** | **11,486,969** | **11,636,969** |
| Total comprehensive income/(expense) for the year | - | 698,969 | 698,969 |
| **Balance as at 31 March 2019** | **150,000** | **12,185,938** | **12,335,938** |
| Total comprehensive income/(expense) for the year | - | 373,695 | 373,695 |
| **Balance as at 31 March 2020** | **150,000** | **12,559,633** | **12,709,633** |

*(Notes on pages 8 to 23 form an integral part of these financial statements)*

**MEL POWER SYSTEMS FZC**

P.O BOX : 122041

SAIF ZONE, SHARJAH - U.A.E

**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST MARCH 2020**

| | Notes | 31-Mar-20<br>AED | 31-Mar-19<br>AED |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Operating profit/(Loss) for the year | | 373,695 | 698,969 |
| Adjustments for:- | | | |
| Depreciation of fixed assets | 5 | 10,440 | 51,501 |
| ***Operating cash flows before working capital changes*** | | **384,135** | **750,470** |
| *Working capital changes* | | | |
| Inventories | 7 | 369,295 | 853,404 |
| Work in progress | | - | 260,000 |
| Trade and other receivables | 8 | 31,218 | 947,541 |
| Due from related parties | 9 - a | (1,898,742) | (3,438,733) |
| Trade and other payables | 14 | 481,147 | (1,667,833) |
| Due to related parties | 9 - b | (955,291) | 1,133,039 |
| ***Cash generated from operating activities*** | | **(1,588,238)** | **(1,162,112)** |
| End of service benefits paid | | (8,497) | (35,659) |
| ***Net cash flows from operating activities*** | | **(1,596,735)** | **(1,197,771)** |
| Cash flows from investing activities | | | |
| Purchase of property, plant & equipment | 5 | - | (1,565) |
| Investment | | (520,000) | (160,000) |
| ***Net cash flows from investing activities*** | | **(520,000)** | **(161,565)** |
| Cash flows from financing activities | | | |
| Bank borrowings | 12 | 1,663,114 | 1,124,590 |
| ***Net cash flows from financing activities*** | | **1,663,114** | **1,124,590** |
| **Net increase in cash and cash equivalents** | | **(453,621)** | **(234,746)** |
| Opening cash and cash equivalents | | 837,558 | 1,072,304 |
| **Closing cash and cash equivalents** | | **383,937** | **837,558** |

*(Notes on pages 8 to 23 form an integral part of these financial statements)*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

## 1 CORPORATE INFORMATION

### 1.1 General

**MEL Power Systems FZC** is a Free Zone Company registered with Sharjah Airport International Free Zone under the Commercial License No.08664 and Industrial License No.17408 issued on 26/10/2010. The Registered Address of the Company is PO Box 122041, SAIF Zone, Sharjah, UAE.

### 1.2 Principal activities

The principal activity of the company is Import/Export & Distribution of Marine Equipment & Related Spare Parts and activities such as Assembling and manufacturing of power distribution panel, control panels and solar power systems.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the requirements of UAE Federal Law No. (2) of 2015

### 2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention unless otherwise indicated.

### 2.3 Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirham (AED), the Entity's functional and presentation currency and are rounded to the nearest value.

### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, 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 year in which the estimates are revised and in any future periods effected.

Significant areas where considerable management judgment is required are disclosed along with accounting policies.

### 2.5 Going concern

The financial statements are prepared on a going concern basis which assumed that the Entity will continue to operate as a going concern for the foreseeable future.

### 2.6 Comparative information

* The accounting policies and estimates adopted are consistent with those used in previous financial years.

* Certain comparative figures are regrouped and rearranged wherever necessary to conform to the presentation adopted in these financial statements. Such reclassification do not affect previously reported net income or shareholders' equity.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Changes in accounting policies

The accounting policies applied in the preparation of these financial statements are consistent with those applied by the Entity in its annual audited financial statements as at and for the year ended 31st December 2018 , except to the extent of impact of the 'New and revised IFRSs adopted on these financial statements' from 1st January 2019, as set out in Note 4.

### 3.2 Foreign currencies

The financial statements are presented in United Arab Emirates Dirham (AED), which is the Entity's functional and presentation currency. Transactions in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denomination in foreign currencies are converted at the rate of exchange ruling at the date of financial position. The resultant foreign exchange gains and losses are recognized in the Income statement.

### 3.3 - Property, plant and equipment

*(a) Cost and valuation*

Property, plant & equipment are stated at cost less accumulated depreciation and impairment, if any. Cost includes expenditure that is directly attributable to the acquisition or construction. Where items of property, plant and equipment are subsequently revalued such revalued property, plant and equipment are carried at revalued amounts less any subsequent depreciation thereon and impairment.

*(b) Subsequent costs*

Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Entity and the cost can be reliably measured.

Cost of repairs and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

*(c) Depreciation*

Depreciation on property, plant & equipment is provided on a straight line basis at the rates calculated to write off the cost of each asset by equal annual instalments over its expected useful life.

Management reviews the residual values and estimated useful lives at the end of each annual reporting period in accordance with IAS 16 and IAS 38. Management determined that current year expectations do not differ from previous estimates based on its review.

The rates of depreciation are based upon the following estimated useful lives: -

| | |
|---|---|
| Furniture & fixture | 4 Years |
| Computers | 3 Years |
| Tools and Equipments | 4 Years |
| Vehicles | 4 Years |

*(d) Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising 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 profit or loss in the year the asset is derecognised.

### 3.4 - Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the assets will flow to the Entity and the cost of the assets can be measured reliably. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortisation and any accumulated impairment losses.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Amortisation is charged on straight line basis over their estimated useful lives. The amortisation period and the amortisation method is reviewed at the end of each reporting period, with effect of any change in estimate being accounted for on a prospective basis.

**3.5 - Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. The cost of inventory comprises the cost of purchase and other costs incurred in bringing the inventory to its present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

**3.6 - Impairment of non-financial assets**

Assets that have an indefinite useful life are not to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which these are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**3.7 - Financial instruments**

Financial assets and financial liabilities are recognised in the Entity's statement of financial position when the Entity becomes a party to the contractual provisions of the instrument.

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

**3.8 - Financial assets**

*Initial recognition and measurement*

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

*Subsequent classification and measurement*

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

*Impairment of financial assets*

The Entity has financial assets under "trade and other receivables" that are subject to the the expected credit loss model under IFRS 9. The Entity has applied the simplified approach to measuring the expected credit losses which uses lifetime expected losses allowance for all trade receivables and financial investments. To measure the expected credit losses, trade receivables have been grouped based on similar credit risk characteristics and days past due. The revised impairment methodology has not resulted in additional credit loss in trade receivables.

*Derecognition of financial assets*

A financial asset (or, when 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,
- The Entity 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,
- The Entity has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Entity has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Entity's continuing involvement in the asset. 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 Entity could be required to repay.

### 3.9 - Financial liabilities

*Initial recognition and measurement*

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

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

The Entity's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

*Subsequent measurement*

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

- *Financial liabilities at fair value through profit or loss*

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Entity that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Entity has not designated any financial liability as at fair value through profit or loss.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

• *Loans and borrowings*

Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

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

*Derecognition of financial liabilities*

The Entity derecognises financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. Where 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, then the difference in the respective carrying amounts is recognised in the interim consolidated income statement.

**3.10 - Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**3.11 - Fair value of financial instruments**

Management considers that the fair values of the Entity's financial assets and liabilities are not materially different from their carrying values in the date of statement of financial position.

**3.12 - Trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are stated at the amounts that they are estimated to realize net of provision for bad and doubtful receivables.

*Allowance for doubtful debts*

Allowance for doubtful debts is determined using a combinations of factors to ensure that the receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors including the overall quality and ageing of the receivables, continuing credit evaluation of the customer's financial conditions and collateral requirements from customers in certain circumstances. In addition, specific allowances for individual accounts are recorded when the Entity becomes aware of the customer's liability to meet its financial obligations.

**3.13 - Cash and cash equivalents**

Cash and cash equivalents are defined as cash and bank balances that are readily convertible to known amounts of cash and which are subjected to an insignificant risk of changes in values.

**3.14 - Trade payables and accruals**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 3.15 - Provisions

Provisions are obligations of the Entity where the timing or amount (or both) of the obligation is uncertain.

Provision are recognized when the business has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

### 3.16 - Borrowings

Borrowings are initially recognized at the fair value of the consideration received less directly attribute transaction costs. After initial recognition, these are subsequently measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the establishment has an unconditional right to defer settlement of the liability for at least 12 months after the date of financial position.

### 3.17 - Employee's end of service benefits

The Entity provides end of services benefits to its employees. The entitlement to those benefits is usually based upon the employees' length of services and the completion of a minimum services period. The expected costs of these benefits are accrued over the period of employment and in accordance with U.A.E. Labour Law.

### 3.18 - Revenue recognition

*Revenue from contracts with customers*

IFRS 15 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

*Step 1* Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

*Step 2* Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

*Step 3* Determine the transaction price: Transaction price is the amount of consideration to which the Entity expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

*Step 4* Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Entity will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Entity expects to be entitled in exchange for satisfying each performance obligation.

*Step 5* Recognise revenue as and when the Entity satisfies a performance obligation.

The Entity 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 Entity's performance as the Entity performs; or
- The Entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

- The Entity's performance does not create an asset with an alternative use to the Entity 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.

The Entity has elected to apply the input method. The Entity considers that the use of input method, which requires revenue recognition on the basis of the Entity's efforts to the satisfaction of the performance obligation, provides the best reference to revenue actually earned. In applying the input method the Entity estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors and the cost of meeting other contractual obligations to the customers.

When the Entity satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Entity assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Entity has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the income statement to the extent that it is probable that the economic benefits will flow to the Entity and the revenue and costs, if applicable, can be measured reliably.

### 3.19 - Expenditure recognition

Expenses are recognised in the statement of income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of income. For the purpose of presentation of the statement of income, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Entity's performance.

### 3.20 Leases

*The Entity as a lessee*

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

*i) Right-of-use assets*

The Entity 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 asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Entity by the end of the lease term or the cost of the right-of-use asset reflects that the Entity will exercise a purchase option.

The Entity has presented right-of-use assets that do not meet the definition of investment property within 'property, plant and equipment'.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 3.20 Leases (Contd.)

*ii) Lease liabilities*

At the commencement date of the lease, the Entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Entity and payments of penalties for terminating the lease, if the lease term reflects the Entity exercising the option to terminate.

In calculating the present value of lease payments, the Entity uses the interest rate implicit in the lease or, if that rate cannot be readily determined, the Entity's incremental borrowing rate. Generally, the Entity uses its incremental borrowing rate as the discount rate. 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.

The Entity has presented it's lease liabilities within 'borrowings'.

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

The Entity 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 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.

The nature and the impact of each new standard or amendment is described below:

- **IFRS 16 Leases**

The Entity has adopted IFRS 16 'Leases', issued in January 2016, with the date of initial application of 1st April 2019. 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. IFRS 16 introduces significant changes to lessee accounting. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

**Transition**

The entity has intially applied IFRS 16 at 01 April 2019, using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 01, April 2019. Accordingly, the comparative information presented for March 2019 is not restated. Ie. it is presented, as previously reported, under IAS 17 and related interpretations.

The entity has assessed that the adoption of IFRS 16 has no material impact on the financial statements since 1st April 2019.

## 4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

### 4.1 - New and revised IFRSs adopted on these financial statements

A number of new or amended standards became applicable for the current reporting period and the Entity amended its accounting policies and make adjustments as a result of adopting the following standards:

- IFRS 16 Leases
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements 2015-2017 Cycle - *IFRS 3, IFRS 11, IAS 12, & IAS 23*
- Amendment to IAS 19 *Plan Amendment, Curtailment or Settlement*

### 4.2 New and revised IFRSs in issue but not yet effective

The Entity has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| ♦ IFRS 17 *Insurance Contracts* | 1 January 2021 |
| ♦ Amendments to References to the Conceptual Framework in IFRS Standards | 1 January 2020 |
| ♦ Amendments to IFRS 3 *Definition of a Business* | 1 January 2020 |
| ♦ Amendments to IAS 1 and IAS 8 *Definition of Material* | 1 January 2020 |
| ♦ Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform* | 1 January 2020 |

## 5 PROPERTY, PLANT & EQUIPMENT

| | Furniture & Fixtures | Computers | Tools & Equipments | Vehicles | Total |
|---|---|---|---|---|---|
| | AED | AED | AED | AED | AED |
| ***Cost*** | | | | | |
| **Balance as at 31 March 2019** | **88,389** | **12,005** | **21,233** | **224,655** | **346,282** |
| Purchased during the year | - | - | - | - | - |
| **Balance as at 31 March 2020** | **88,389** | **12,005** | **21,233** | **224,655** | **346,282** |
| ***Accumulated Depreciation*** | | | | | |
| **Balance as at 31 March 2019** | **80,293** | **9,166** | **20,064** | **224,655** | **334,178** |
| Charged for the year | 8,096 | 1,954 | 390 | - | 10,440 |
| **Balance as at 31 March 2020** | **88,389** | **11,120** | **20,454** | **224,655** | **344,618** |
| ***Net Book Value*** | | | | | |
| **Balance as at 31 March 2020** | **-** | **885** | **779** | **-** | **1,664** |
| Balance as at 31 March 2019 | 8,096 | 2,839 | 1,169 | - | 12,104 |

In the opinion of the management there is no impairment to the net book value of the property, plant & equipment as at 31st March 2020.

## 6 INVESTMENT

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Investment in STI Sri (Italy) | 4,002,483 | 4,002,483 |
| Investment in Technology Ventures Middle East FZC | 680,000 | 160,000 |
| | **4,682,483** | **4,162,483** |

The above investments represent 75% holding in STI Srl (Italy) and 25% holding in Technology Ventures Middle East FZC

The fair value of the investments are estimated at the cost as the shares are unquoted in the market and there is no other more appropriate measurement of fair value.

In the opinion of the management there is no impairment to the value of Investment as at 31st March,

## 7 INVENTORIES

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Inventories | **2,093,035** | **2,462,330** |

Inventories are stated at the lower of cost or net realizable value. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. Inventory is physically verified, valued and as certified by the management.

## 8 TRADE & OTHER RECEIVABLES

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Trade receivable | 6,146,822 | 6,140,135 |
| Refundable deposits | 51,857 | 76,725 |
| Prepaid expenses | 57,944 | 61,404 |
| Advance to suppliers | 118,475 | 150,418 |
| Staff advance | 240 | 3,341 |
| Vat receivable | 25,467 | - |
| | **6,400,805** | **6,432,023** |

**Ageing of trade receivables**

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| 0-60 days | 633,672 | 235,040 |
| Above 61 days | 5,513,150 | 5,905,095 |
| | **6,146,822** | **6,140,135** |

## 9 RELATED PARTY TRANSANCTIONS

### 9.1 Identity of related parties

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

### 9.2 Balances

Balances with related parties at the reporting date are as shown below:

| 9 - a DUE FROM RELATED PARTIES | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| KDU Marine Equipment Trading and Maintenance LLC | 5,271,172 | 3,383,594 |
| World | 907,408 | 932,595 |
| Marine Electricals (I) Pvt. Ltd-Mumbai-Dr | 86,877 | 50,526 |
| STI Sri (Italy) | 2,131,700 | 2,131,700 |
| | **8,397,157** | **6,498,415** |

The above companies are under common ownership and the balances represent net amount receivable from the advances given in the normal course of business.

The company has given advance of AED 2,131,700 to STISri (Italy) for their working capital requirements.

| 9 - b DUE TO RELATED PARTIES | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Marine Electricals (I) Pvt Ltd | 151,709 | 527,950 |
| KDU Marine Equipment Trading and Maintenance LLC | - | 600,000 |
| STI srl | 20,951 | - |
| Technology Ventures Middle East FZC-Cr | 14,434 | 14,435 |

These amounts represent the net payable against the purchases made and interest free loans received in the normal course of business.

**Advance from Director**

| | | |
|---|---|---|
| Mr. Vinay Krishna Uchil | 1,937 | 1,937 |
| | **189,031** | **1,144,322** |

The above amount represents advance given by the director to the Company which does not bear any interest and does not have any definite repayment schedule.

## 10 CASH IN HAND AND AT BANKS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Cash in hand | 69 | 157 |
| Cash at bank | 383,868 | 837,401 |
| | **383,937** | **837,558** |

No independent confirmation from the bank has been received. However, the disclosed balance has been verified from the statements issued by the bank.

## 11 SHARE CAPITAL

The capital of the Entity is AED 150,000 (Dirhams One Hundred Fifty Thousand only), with limited liability, divided into 100 (One Hundred) shares, the value of each share being AED 1,500 (Dirhams One Thousand Five Hundered Only)

The capital of the Entity is contributed by the shareholders are as follows:

| Name of Shareholders | % | No. of Shares | Total Value in AED |
|---|---|---|---|
| Marine Electricals (India) Private Limited | 90% | 90 | 135,000 |
| Mr.Vinay Krishna Uchil | 10% | 10 | 15,000 |
| **TOTAL** | | **100** | **150,000** |

## 12 BANK BORROWINGS

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| **Current** | AED | AED |
| Term loan | 7,453,335 | 5,779,700 |
| Vehicle loan | - | 10,521 |
| | **7,453,335** | **5,790,221** |

Banking Facilities outstanding as on 31.03.2020

| Facility | Overall limit (in USD) | Overall limit (in AED) | Utilised (in AED) | Unutilised (in AED) |
|---|---|---|---|---|
| **A) Fund Based & Non Fund Bsed** | | | | |
| WCDL / OD | 2,350,000 | 8,624,500 | 7,453,335 | 1,171,165 |
| Letter of credit | (2,350,000) | - | - | - |
| Bank Guarantee | (2,350,000) | - | - | - |
| Trust Receipts | (2,350,000) | - | - | - |
| **Total** | **2,350,000** | **8,624,500** | **7,453,335** | **1,171,165** |

Bank Borrowings are secured by:

i) SBLC from Axis Bank Ltd, India with tenure 15 days more than WC tenure.

ii) Mortage over immovable property comprising of Land and Building at Plot No. 51,52,59 and 60, Phase IV, Verna Electronic city, Salcete, Goa, India ("property") 403722 owned by Marine Electricals (i) Pvt Ltd.

iii) Hypothecation of stock and assignment of receivables of the borrower on a pari passu basis.

iv) Undated cheques equivalent to the family amount and 6 month interest to be provided as payment instruments signed by the promoter (Mr.Vinay Uchill).

v) Corporate guarantee of the parent upto 110.0% of the facility amount (in USD) valid till months from the date of corporate guarantee, CG to be extended/renewed if Limits from Axis banks are not

vi) Personal guarantee of the promoters to the extent of 110% of the facility amount (in USD) valid till months from the date of corporate guarantee (including filing of form ODI and obtaining statutory auditor's certificate) within 30 days from the date of limit setup.

We have listed above a few majior conditions in addition to various conditions agreed as per the Credit Arrangement Letter issued by the Bank.

## 13 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Balance at the beginning of the year | 35,697 | 71,356 |
| Charged during the year | 10,531 | 21,188 |
| Paid during the year | (19,028) | (56,847) |
| | **27,200** | **35,697** |

## 14 TRADE AND OTHER PAYABLES

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Trade creditors | 1,414,242 | 963,881 |
| Accrued expenses | 15,625 | 46,829 |
| Advance from customers | 112,140 | 57,641 |
| PDC payable | 37,875 | - |
| Tax due | - | 30,384 |
| | **1,579,882** | **1,098,735** |

## 15 REVENUE

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Sales | **10,822,229** | **15,174,712** |

## 16 COST OF REVENUE

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Opening stock | 2,462,330 | 3,315,734 |
| Purchases | 7,890,307 | 10,079,397 |
| Less: Closing stock | (2,093,035) | (2,462,330) |
| Direct expense | 654,569 | 698,128 |
| | **8,914,171** | **11,630,929** |

## 17 OTHER INCOME

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Foreign Exchange Variation | **18,147** | **-** |

## 18 GENERAL & ADMINISTRATIVE EXPENSES

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Staff salaries & allowances | 387,629 | 686,980 |
| Bad debts | - | 15,163 |
| Management fees | - | 600,000 |
| Rent | 66,482 | 228,421 |
| Legal & professional charges | 407,563 | 328,527 |
| Sales promotion | - | 43,071 |
| Office expenses | 17,662 | 27,137 |
| Insurance | 29,279 | 45,631 |
| Vehicle expenses | 18,160 | 15,549 |
| Communication and utility charges | 9,199 | 24,730 |
| Visa expense | 12,175 | 24,162 |
| Discount | - | 642 |
| | **948,149** | **2,040,013** |

## 19 FINANCE CHARGES

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| | AED | AED |
| Bank charges | 287,229 | 256,038 |
| Interest | 306,692 | 266,530 |
| Foreign exchange loss | - | 230,732 |
| | **593,921** | **753,300** |

## 20 FINANCIAL INSTRUMENTS

### 20.1 CAPITAL RISK MANAGEMENT

The Entity manages its capital on a basis that it will be able to continue as a going concern while maximising the return to the shareholders through the optimization of the equity balance.

### 20.2 CATEGORIES OF FINANCIAL INSTRUMENTS

| | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| **Financial Assets** | AED | AED |
| Trade and other receivables | 6,400,805 | 6,432,023 |
| Cash in hand and at banks | 383,937 | 837,558 |
| Due from related parties | 8,397,157 | 6,498,415 |
| | **15,181,899** | **13,767,996** |
| **Financial Liabilities** | | |
| Bank borrowings | 7,453,335 | 5,790,221 |
| Trade and other paybles | 1,579,882 | 1,098,735 |
| Due to related parties | 189,031 | 1,144,322 |
| | **9,222,248** | **8,033,278** |

## 20.3 FINANCIAL RISK MANAGEMENT

The Entity is exposed to the following risks related to financial instruments. The Entity has not framed formal risk management policies, however, the risks are monitored by management on a continuous basis.

***a) Credit Risk***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Entity, and arises principally from the Entity's trade and other receivables and bank The Entity has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be low. The Entity attempts to control credit risk by monitoring credit exposures, setting credit limits for non-related counterparties and monitoring outstanding receivables.

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

***b) Liquidity Risk***

Liquidity risk is the risk that the Entity will be unable to meet its funding requirements. The Entity limits its liquidity risk by ensuring adequate cash from operations and availability of bank facilities.

The table below summarises the maturities of the Entity's undiscounted financial liabilities as at 31 March 2020 and 31 March 2019 based on the contractual payment dates.

| | Carrying value | Less than 1 year | More than 1 year |
|---|---|---|---|
| | AED | AED | AED |
| **31-Mar-20** | | | |
| Non-derivative financial liabilities | | | |
| Bank Borrowing | 7,453,335 | 7,453,335 | - |
| Trade and other paybles | 1,579,882 | 1,579,882 | - |
| Due to related parties | 189,031 | 189,031 | - |
| | **9,222,248** | **9,222,248** | - |
| **31-Mar-19** | | | |
| Non-derivative financial liabilities | | | |
| Bank Borrowing | 5,790,221 | 5,790,221 | - |
| Trade and other paybles | 1,098,735 | 1,098,735 | - |
| Due to related parties | 1,144,322 | 1,144,322 | - |
| | **8,033,278** | **8,033,278** | - |

***c) Interest Rate Risk***

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

The Entity is exposed to interest rate risk on it's interest bearing borrowings.

***d) Currency risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Entity is exposed to currency risk but the management believes that the credit loss due to the exchange fluctuations will not be material.

## 21 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management and authorized for issue on 16-07-2020

***For MEL Power Systems FZC***

***Managing Director***