MEGHMANI OVERSEAS FZE

Financial Statements

31 March 2019

Registered Address:

ELOB Office No E2-123F-46
P.O. Box 52265
Hamriyah Free Zone,
Sharjah, U.A.E.

MEGHMANI OVERSEAS FZE

Financial Statements
31 March 2019

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Manager's Report

The manager submits his report and accounts for the year ended 31 March 2019.

Results

The loss for the year amounted to AED 203,768/-.

Review of the business

The establishment is registered to carry out activity of general trading. However, during the year the establishment has mainly traded into agro-chemicals.

Events since the end of the year

There were no significant events, which have occurred since the year-end that materially affect the establishment.

Shareholder and itsinterest

The shareholder as at 31 March 2019 and its interest as at that date in the share capital of the establishment was asfollows:

Name of the shareholder	*Country of incorporation*	*No. ofshare s*	*4ED*
M/s. Meghmani Organics Limited	India	1	35,000

Auditors

A resolution to re-appoint **KSI Shah & Associates** as auditors and fix their remuneration will be put to the board at the annual general meeting.

Ankit

Mr. AnkitNatwarlal Patel
Manager

Independent Auditors' Report to the Shareholder/ Board of directors of MEGHMANI OVERSEAS FZE

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **MEGHMANI OVERSEAS FZE** (the "Establishment"), which comprises of the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and explanatory notes.

In our opinion, the financial statements present fairly, in all material respects the financial position of the establisment as of 31 March 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the UAE, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance 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 concluded that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report to the Shareholder/ Board of directors of MEGHMANI OVERSEAS FZE

Report on the Audit of the Financial Statements (contd.)

Responsibilities of Management and Those Charged With Governance 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 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

Those charged with governance are responsible for overseeing the Establishment's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

Independent Auditors' Report to the Shareholder/ Board of directors of MEGHMANI OVERSEAS FZE

Report on the Audit of the Financial Statements (contd.)

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

KSI Shah & Associates

For KSI Shah & Associates
Dubai, U.A.E.
Signed by:
Sonal P. Shah (Registration No. 123)

P.O. Box 71241
Dubai - U.A.E.
KSI SHAH & ASSOCIATES

24 May 2019

MEGHMANI OVERSEAS FZE

Statement of Financial Position
At 31 March 2019

	Notes	2019 AED	2018 AED
ASSETS			
Current assets			
Trade receivables	9	2,003,820	2,097,772
Bank balances in current accounts		1,022,886	1,442,792
		3,026,706	**3,540,564**
TOTAL ASSETS		**3,026,706**	**3,540,564**
EQUITY AND LIABILITIES			
Equity			
Share capital	6	35,000	35,000
Accumulated profits		2,714,224	2,917,992
Total equity		**2,749,224**	**2,952,992**
Current liabilities			
Trade and other payables	7	**277,482**	**587,572**
TOTAL EQUITY AND LIABILITIES		**3,026,706**	**3,540,564**

The accompanying notes 1 to 13 form an integral part of these financial statements.
The Independent Auditors' Report is set forth on pages 2-4.
Approved by the board of directors on 24th May 2019 and signed on their behalf by:

For MEGHMANI OVERSEAS FZE

Mr. AnkitNatwarlal Patel
Manager

MEGHMANI OVERSEAS FZE

Statement of Comprehensive Income
for the year ended 31 March 2019

	Notes	2019 AED	2018 AED
Sales	9	**3,495,984**	**7,041,446**
Cost of sales	8,9	(3,430,258)	(4,004,698)
Gross profit		**65,726**	**3,036,748**
Other income		110,121	-
Expenses	9	(379,615)	(318,006)
(Loss) / profit for the year		**(203,768)**	**2,718,742**
Other comprehensive income		-	-
Total comprehensive income for the year		**(203,768)**	**2,718,742**

The accompanying notes 1 to 13 form an integral part of these financial statements.

MEGHMANI OVERSEAS FZE

Statement of Changes in Equity
for the year ended 31 March 2019

	Share capital *AED*	*Accumulated Profits* *AED*	*Total* *AED*
As at 31 March 2017	**35,000**	**199,250**	**234,250**
Profit for the year	-	2,718,742	2,718,742
As at 31 March 2018	**35,000**	**2,917,992**	**2,952,992**
(Loss) for the year	-	(203,768)	(203,768)
As at 31 March 2019	**35,000**	**2,714,224**	**2,749,224**

The accompanying notes 1 to 13 form an integral part of these financial statements.

MEGHMANI OVERSEAS FZE

Statement of Cash Flows
for the year ended 31 March 2019

	2019 AED	2018 AED
Cash flows from operating activities		
(Loss) / profit for the year	(203,768)	2,718,742
Changes in trade receivables	93,952	(1,738,589)
Changes in trade and other payables	(310,090)	264,259
Net cash (used in)/ from operating activities	**(419,906)**	**1,244,412**
Net changes in cash and cash equivalents	**(419,906)**	**1,244,412**
Cash and cash equivalents at the beginning of the year	**1,442,792**	**198,380**
Cash and cash equivalents at the end of the year	**1,022,886**	**1,442,792**

The accompanying notes 1 to 13 form an integral part of these financial statements.

MEGHMANI OVERSEAS FZE
(Incorporated in Hamriyah Free Zone, Sharjah, U.A.E.)
(Registration No. 9306)

Notes to the Financial Statements
for the year ended 31 March 2019

1. Legal status and principal activity

a) **MEGHMANI OVERSEAS FZE** (" The Establishment") is a Free Zone Establishment with limited liability registered on 8th September 2011 with Hamriyah Free Zone, Sharjah, U.A.E. under the commercial license No. 8286 issued in accordance with the provision of Hamriyah Free Zone Authority regulations.

b) The establishment is registered to carry out activity of general trading. However, during the year the establishment has mainly traded into agro chemicals.

2. Basis of preparation

a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2018 and the implementing rules and regulations of the Hamriyah Free Zone.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the establishment takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

c) Functional and presentation currency

These financial statements are presented in U.A.E. Dirhams, which is the establishment's functional and presentation currency.

3. Use of estimates and judgment

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect 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 recognized in the period in which the estimates are revised and in any future periods affected.

MEGHMANI OVERSEAS FZE

Notes to the Financial Statements
for the year ended 31 March 2019

Judgments made in applying accounting policies

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Revenue from contracts with customers

Sale of goods

- Timing for transfer of control of goods:
  In case of performance obligation satisfied at point in time, the control of goods is transferred, when physical delivery of the goods to the agreed location has occurred, as a result, the establishment has a present right to payment and retains none of the significant risks and rewards of the goods.

- Financing components
  The Establishment does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Establishment does not adjust any of the transaction prices for the time value of money.

- Determining the transaction price:
  The establishment's revenue from sale of goods is derived from fixed price contracts with customers and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Based on the historical performance of the establishment, it is highly probable that there will not be reversal of previously recognized revenue on account of the return of goods or volume rebates.

- Allocating the transaction prices:
  There is a fixed unit price for each item sold to the customer. Therefore, there is no judgment involved in allocating the contract price to each unit ordered in contracts with customers. Where a customer orders more than one item, the establishment is able to determine the split of the total contract price between each item by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

- Provision of rights to return goods, volume rebates and other similar obligations:
  The establishment reviews its estimate of expected returns at each reporting date on basis of the historical data for the returns, rebates and other similar obligations and updates the amounts of the asset and liability accordingly.

Financial assets at amortized cost

The establishment classifies its financial assets as at amortized cost only if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest

MEGHMANI OVERSEAS FZE

Notes to the Financial Statements
for the year ended 31 March 2019

Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty and assumptions at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of financial assets

The loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Establishment uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4a. Adoption of new and revised International Financial Reporting Standards

a) New and revised International Financial Reporting Standards

The following International Financial Reporting Standards, amendments thereto and interpretations issued by IASB that became effective for the current reporting period and which are applicable to the establishment are as follows:

- IFRS 9 - Financial Instruments
- IFRS 15 – Revenue from contracts with customers
- Clarifications to IFRS 15- Revenue from contracts with customers
- IFRIC Interpretation 22-Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40- Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 1 and IAS 28 as per annual improvements to IFRS standards 2014-16 cycle

During the current year, the management has adopted the above standards and amendments to the extent applicable to them from the financial reporting period commencing on or after 01 January 2018.

The significant impacts of IFRS 9, IFRS 15 and other amendments as listed above on the amounts reported and their presentation are disclosed wherever applicable

b) International Financial Reporting Standards issued but not effective

IFRS 16 – Leases – The effective date of the standard is set for annual periods beginning on or after 1 January 2019.

IFRS17 -Insurance Contracts- The effective date of the standard is set for annual periods beginning on or after 1 January 2021.

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Notes to the Financial Statements
for the year ended 31 March 2019

International Financial Reporting Standards issued but not effective (contd.)

IFRIC23-uncertainty of Income Tax Position- The effective date of the interpretation is set for annual periods beginning on or after 1 January 2019.

Amendments to IFRS9-Prepayment features with negative compensation. The effective date of the amendment is set for annual periods beginning on or after 1 January 2019.

Amendments to IAS 28- Long term interests in Associates and Joint Ventures. The effective date of the amendment is set for annual periods beginning on or after 1 January 2019.

Amendments to IFRSs - Annual improvements to IFRS Standards 2015-17 Cycle.

Amendments to IAS19-Plan amendments, curtailments or settlements. The effective date of the amendment is set for annual periods beginning on or after 1 January 2019.

Amendments to IFRS10 and IAS 28-Sale or contribution of assets between an investor and its associate or joint venture. These amendments will apply when they become effective.

The establishment has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4b. Significant Changes in the current reporting period

a) **<u>IFRS 9 Financial Instruments</u>**

The establishment has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by transitional provisions of IFRS 9, the establishment elected not to restate the comparative figures. Any adjustments to carrying amounts of financial assets and liabilities at the date of transitions were recognized in opening retained earnings and other reserves of the current year.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 - Financial Instruments: Disclosures.

There is no material impact on adoption of IFRS 9 in the financial statements at the adoption date and the reporting date, however the presentation and disclosure requirements of IFRS 9 have been dealt with as relevant to the establishment.

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Notes to the Financial Statements
for the year ended 31 March 2019

b) **IFRS 15 Revenue from contracts with customers**

This standard on revenue recognition replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" and related interpretations.

IFRS 15 is more perspective, provides detailed guidance on revenue recognition and reduced the use of judgment in applying revenue recognition policies and practices as compared to the replaced IFRS and related interpretations.

Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the promised goods or services to customers I an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods or services.

IFRS 15 also includes a comprehensive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainly of revenue and cash flows arising from the entity's contracts with customers.

The establishment has assessed that the impact of IFRS 15 is not material on the financial statements of the establishment as at the adoption date and the reporting date.

5. Significant accounting policies

a) Financial instruments

i. Recognition and Initial measurement

The establishment recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs that are directly attributable in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition.

ii. Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified as follows:

Financial assets at amortized cost (debt instruments)

Financial assets that are held within a business model whose objective is to hold the asset in order to collect contractual cash flows that are solely payments of principal and interest are subsequently measured at amortized cost less impairments, if any. Interest income calculated using effective interest rate (EIR) method and impairment loss, if any are recognised in the statement of profit and loss. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The establishment's financial assets at amortised cost include trade receivables and bank balances. Due to the short term nature of these financial assets, their carrying amounts are considered to be the same as their fair value.

MEGHMANI OVERSEAS FZE

Notes to the Financial Statements
for the year ended 31 March 2019

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

Financial assets that are held within a business model whose objective is achieved by both holding the asset in order to collect contractual cash flows that are solely payments of principal and interest and by selling the financial assets, are subsequently measured at fair value through other comprehensive income. Changes in fair value are recognized in the other comprehensive income (OCI) and on derecognition, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss. Interest income calculated using EIR method and impairment loss, if any are recognised in the statement of profit and loss.

Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)

The investments in equity instruments, which are strategic in nature and held on a long-term basis are initially measured at fair value. Accordingly, the establishment has elected irrevocable option to measure such investments at FVOCI. The establishment makes such election on an instrument-by-instrument basis. Pursuant to such irrevocable option, changes in fair value are recognised in the OCI and is subsequently not reclassified to the statement of profit and loss.

Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories are subsequently measured at fair value through profit or loss. Changes in fair value and income on these assets are recognised in the statement of profit and loss. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

iii. Classification and subsequent measurement of financial liabilities

For the purpose of subsequent measurement, financial liabilities are classified as follows:

- Amortised cost - Financial liabilities are classified as financial liabilities at amortised cost by default. Interest expense calculated using EIR method is recognised in the statement of profit and loss.

MEGHMANI OVERSEAS FZE

Notes to the Financial Statements
for the year ended 31 March 2019

Classification and subsequent measurement of financial liabilities (contd.)

- Fair values through profit or loss (FVTPL) - Financial liabilities are classified as FVTPL if it is held for trading, or is designated as such on initial recognition. Changes in fair value and interest expense on these liabilities are recognised in the statement of profit and loss.

The establishment's financial liabilities include trade and other payables. The carrying amounts of these financial liabilities are considered as to be the same as their fair values, due to their short term nature

iv. De -recognition of financial assets and financial liabilities

Financial assets are de-recognised when, and only when,

- The contractual rights to receive cash flows expire 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
    - the establishment has transferred substantially all the risks and rewards of the asset, or
    - the establishment has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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.

v. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

vi. Impairment of financial assets

The establishment recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses 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.

MEGHMANI OVERSEAS FZE

Notes to the Financial Statements
for the year ended 31 March 2019

vi. Impairment of financial assets (contd.)

Expected credit losses are recognised in two stages.

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months.
- 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.

For trade receivables, the establishment applies a simplified approach in calculating expected credit losses. The establishment does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit losses at each reporting date.

b) Foreign currency transactions

Transactions in foreign currencies are converted into U.A.E. Dirhams at the rate of exchange ruling on the date of the transaction.

Assets and liabilities expressed in foreign currencies are translated into U.A.E. Dirhams at the rate of exchange ruling at the balance sheet date.

Resulting gain or loss is taken to the Statement of comprehensive income.

c) Provisions

Provisions are recognized when the establishment has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting year, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

d) Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership and the lease payments are charged to the Statement of comprehensive income on a straight line basis over the year of lease.

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Notes to the Financial Statements
for the year ended 31 March 2019

The Establishment as lessee

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

e) Value added tax (VAT):

The revenue, expenses and assets are recognized net of value-added tax (VAT). In case Input VAT paid to the supplier of asset or expense is not recoverable from the Federal Tax Authority, it is disclosed as part of asset acquired or expense incurred.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from or VAT payable to FTA is disclosed as other payable or other receivable under current liabilities or current assets respectively in the statement of financial position.

f) Revenue recognition

Sales of goods

The establishment has mainly traded into agro chemicals on back to back basis.

Revenue from sale of goods is recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customers and have been accepted by the customers at their premises and there is no unfulfilled obligation that could affect customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer or the establishment has objective evidence that all criteria for acceptance have been satisfied.

The amount of revenue is shown as net of discounts, returns, other similar obligations and VAT as per the performance obligations determined as per the provisions of the contracts with customers.

g) Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement comprise cash and cheques on hand, bank balances in current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

h) Dividend

Dividend is paid out of accumulated profits, when declared.

MEGHMANI OVERSEAS FZE

Notes to the Financial Statements
for the year ended 31 March 2019

	2019 *AED*	*2018* *AED*

6. Share capital

Authorised, issued and paid up:		
1 share of AED 35,000 [a]	35,000	35,000

[a] *Share certificate is in the name of M/s Meghmani Organics Limited, India.*

7. Trade and other payables

Trade payables	208,221	573,988
Advance received from a customer	57,710	-
Accrued expenses	11,551	13,584
	277,482	587,572

8. Cost of sales

Cost of sales represents cost of goods sold and related direct expenses incurred during the year.

9. Related party transactions

For the purpose of this financial statement, parties are considered to be related to the establishment if the establishment has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making party financial and operating decisions, or vice versa, or where the establishment and the party are subject to common control or common significant influence. Related party may be individuals or other entities.

The nature and amount of significant transactions during the year are as under:

	Companies under common management control 2019 AED	*Parent Company 2019 AED*	*Total 2019 AED*	*Total 2018 AED*
Sales	-	2,003,820	2,003,820	-
Purchases	-	863,277	863,277	1,017,324
Expenses	100,672	-	100,672	-

MEGHMANI OVERSEAS FZE

Notes to the Financial Statements
for the year ended 31 March 2019

Related party transactions (contd.)

At the reporting date, balances with parent company were as follows:

	2019 AED	2018 AED
	Parent company	
Included in current assets:		
Trade receivables	2,003,820	-
Included in current liabilities:		
Trade payables *(refer note 7)*	208,221	-

10. Financial instruments: Credit, Market risk and liquidity risk exposures

The establishment has exposure to the following risks from its use financial instruments:

a) Credit risk
b) Market risk
c) Liquidity risk

a) Credit risk

Financial assets, which potentially expose the establishment to concentrations of credit risk, comprise principally of trade receivables and bank balances.

Trade and other receivables

As at 31 March 2019, the establishment's exposure on account of significant concentration of credit risk for amounts receivable situated outside U.A.E. *(other than related party)* amounted to AED Nil/- *(previous year: AED 2,091,166/- due from four customers).*

There is no significant concentration of credit risk from trade receivables situated within U.A.E. and outside the industry in which the establishment operates.

Bank balances

The establishment's bank balances in current accounts are placed with high credit quality financial institution.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as exchange rate risk, interest rate risk or other price risk, which will affect the establishment's income or the value of its holding of financial instruments.

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Notes to the Financial Statements
for the year ended 31 March 2019

Interest rate risk

Since the establishment does not have any deposits or borrowings, interest rate risk is minimum.

Exchange rate risk

There is no significant exchange rate risk as substantially all financial assets and financial liabilities are denominated in UAE Dirham to which the US Dollar is fixed.

c) **Liquidity risk**

The following are the contractual maturities of the establishment's financial liabilities as of 31 March 2019:

Non-derivative financial liabilities	*Carrying Amounts* *AED*	*Payable within next 12 months* *AED*	*Payable after 12 months* *AED*
Trade and other payables:			
Trade payables	208,221	208,221	-
Advance received from a customer	57,710	57,710	-
Accrued expenses	11,551	11,551	-

11. Financial instruments: Fair value

Financial instruments comprise of financial assets and financial liabilities. The fair value of the establishment's financial assets comprising of trade receivables and bank balances and financial liabilities comprising of trade and other payables approximate to their carrying values.

12. Contingent liability

There was no contingent liability of a significant amount outstanding as at the reporting date.

13. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary to conform to the presentation adopted in the current year.