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Shriram EPC (FZE)
SAIF Zone, Sharjah - United Arab Emirates
Independent auditors' report and
financial statements
For the year ended December 31, 2020

Shriram EPC (FZE)

SAIF Zone, Sharjah - United Arab Emirates

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Shriram EPC (FZE)

SAIF Zone, Sharjah - United Arab Emirates

General information

Principal office address : Saif Suite Y1-030
P.O. Box 121968
Sharjah - U.A.E

Owners : *Name*
Shriram EPC Limited (India)

Auditor : VASS International Auditing & Consultants
Dubai, United Arab Emirates

Shriram EPC (FZE)
SAIF Zone, Sharjah - United Arab Emirates

Director's Report

The Director has the pleasure in presenting their report and the audited financial statements for the period ended December 31, 2020.

Principal activities of the Entity :

The principal activities of the entity are unchanged since the previous year and consist of general trading and Management consultancy.

Financial review:

The table below summarizes the results of the year 2020 and 2019.

	<u>2020</u>	<u>2019</u>
	AED	AED
Revenue	1,927,968	236,853,195
Net profit for the year	558,538	97,060

Role of the Directors:

The Directors are the Entity's principal decision-making forum. The Directors have the overall responsibility for leading and supervising the Entity for delivering sustainable shareholder value through its guidance and supervision of the Entity's business. The Directors set the strategies and policies of the Entity. They monitor performance of the Entity's business, guide and supervise its management.

Events after year end:

In the opinion of the Directors 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.

Auditor:

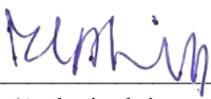
M/s. VASS International Auditing & Consultants, Dubai, United Arab Emirates is willing to continue in office and a resolution to re-appoint them will be proposed in the Annual General Meeting.

Statement of Directors' responsibilities:

The applicable requirements, requires the Directors to prepare the financial statements for each financial year which presents fairly in all material respects, the financial position of the Entity and its financial performance for the year then ended.

The audited financial statements for the year under review, have been prepared in conformity and in compliance with the relevant statutory requirements and other governing laws. The Directors confirms that sufficient care has been taken for the maintenance of proper and adequate accounting records that disclose with reasonable accuracy at any time, the financial position of the Entity and enables them to ensure that the financial statements comply with the requirements of applicable statute. The Directors also confirms that appropriate accounting policies have been selected and applied consistently in order that the financial statements reflect fairly the form and substance of the transactions carried out during the year under review and reasonably present the Entity's financial conditions and results of its operations.

These financial statement were approved by the Board and signed on behalf by the authorized representative of the Entity.



Manager (Authorized signatory)

May 31, 2021





S-211/S-6/JB/DEC 2020

Independent auditors' report

To,
The Shareholders
Shriram EPC (FZE)
SAIF Zone, Sharjah - United Arab Emirates

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Shriram EPC (FZE)**, SAIF Zone, Sharjah, United Arab Emirates (the “Entity”) which comprise the statement of financial position as at **December 31, 2020**, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements of the entity gives a true and fair view of the financial position of **Shriram EPC (FZE)** as at **December 31, 2020**, and of 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 consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.



Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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

As required by the Emiri Decree No. 2 of 1995 issued in Sharjah on May 8, 1995; applicable to Sharjah Airport International Free Zone, we further confirm that,

- 1 We have obtained all the information and explanations which we consider necessary for our audit,
- 2 The financial statements have been prepared and comply in all material respects with the applicable provisions of the respective laws, and the Memorandum and Articles of Association of the Entity,
- 3 Proper books of accounts have been maintained by the Entity,
- 4 The financial information included in the Director's report is consistent with the books of account of the Entity,
- 5 Entity has not made any investments in share and stocks during the year ended December 31, 2020,
- 6 Note 7 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted, and
- 7 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 ended December 31, 2020, any of the applicable provisions of the respective law or of its Memorandum and Articles of Association which would materially affect its activities or its financial position as of December 31, 2020.

Saad Abdulla Haji Ali Alhammad
Partner
[Registration Number. 864]



Shriram EPC (FZE)

Saif Zone, Sharjah - United Arab Emirates

Statement of financial position as at December 31, 2020

(In Arab Emirates Dirham)

	Notes	2020	2019
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	4	4,488	8,627
Investment in subsidiaries	5	1,685,354	1,685,354
Other non-current assets	6	11,624	13,124
<i>Total non current assets</i>		1,701,466	1,707,105
<i>Current assets</i>			
Trade receivables	8	41,088,016	43,373,438
Advances, deposits and other receivables	9	31,755,197	35,044,480
Due from related parties	7	2,268,142	2,268,142
Cash and bank balances	10	227,198	2,811,008
<i>Total current assets</i>		75,338,553	83,497,068
Total assets		77,040,019	85,204,173
Equity and liabilities			
<i>Equity</i>			
Share Capital	11	150,000	150,000
Retained earnings	12	213,159	(345,379)
<i>Total equity</i>		363,159	(195,379)
<i>Current liabilities</i>			
Trade and other payables	13	40,351,206	52,244,312
Due to related parties	7	36,325,654	33,155,240
Borrowings	13	-	-
<i>Total current liabilities</i>		76,676,860	85,399,552
Total liabilities		76,676,860	85,399,552
Total equity and liabilities		77,040,019	85,204,173

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

The report of the auditors is set out on pages 3 and 4.

The financial statements on pages 5 to 22 were approved on May 31, 2021 and signed on behalf of the Entity, by:



Manager (Authorized signatory)



Shriram EPC (FZE)

Saif Zone, Sharjah - United Arab Emirates

Statement of profit or loss and other comprehensive income for the year ended December 31, 2020

(In Arab Emirates Dirham)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Revenue	14	1,927,968	236,853,195
Direct cost	15	(1,628,839)	(222,600,406)
Other income	16	501,379	675,920
Administrative expenses	17	(241,970)	(14,831,649)
Profit for the year		558,538	97,060
Other comprehensive income		-	-
Total comprehensive income for the year		558,538	97,060

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

The report of the auditors is set out on pages 3 and 4.

The financial statements on pages 5 to 22 were approved on May 31, 2021 and signed on behalf of the Entity, by:



Manager (Authorized signatory)



Shriram EPC (FZE)

Saif Zone, Sharjah - United Arab Emirates

Statement of changes in shareholders' equity for the year ended December 31, 2020

(In Arab Emirates Dirham)

	Share Capital	Retained earnings	Total equity
Balance as at December 31, 2018	150,000	(442,439)	(292,439)
Total comprehensive income for the year	-	97,060	97,060
Balance as at December 31, 2019	150,000	(345,379)	(195,379)
Total comprehensive income for the year	-	558,538	558,538
Balance as at December 31, 2020	150,000	213,159	363,159

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

The report of the auditors is set out on pages 3 and 4.

Shriram EPC (FZE)

SAIF Zone, Sharjah - United Arab Emirates

Statement of cash flows for the year ended December 31, 2020

(In Arab Emirates Dirham)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Net profit for the year	558,538	97,060
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	4,139	4,522
	<u>562,677</u>	<u>101,582</u>
<i>(Increase) / decrease in current assets</i>		
Trade receivables	2,285,422	(11,097,022)
Other non-current assets	1,500	52,750,867
Advances, deposits and other receivables	3,289,283	168,344,439
Due from related parties	-	(2,268,142)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	(11,893,106)	(189,677,071)
Due to related parties	3,170,414	(17,527,894)
Net cash (used in) / generated from operating activities	<u>(2,583,810)</u>	<u>626,759</u>
Cash flows from financing activities		
Proceeds/repayment of borrowings	-	(166,278)
Net cash (used in) financing activities	<u>-</u>	<u>(166,278)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(2,583,810)</u>	<u>460,481</u>
Cash and cash equivalents at the beginning of the year	2,811,008	2,350,527
Cash and cash equivalents at the end of the year	<u>227,198</u>	<u>2,811,008</u>
Cash and cash equivalents		
Cash in hand	-	32
Cash at banks	227,198	2,810,976
	<u>227,198</u>	<u>2,811,008</u>

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

The report of the auditors is set out on pages 3 and 4.

Shriram EPC (FZE)

SAIF Zone, Sharjah - United Arab Emirates

Notes to the financial statements for the year ended December 31, 2020

1 Legal status and business activities

- 1.1 Shriram EPC (FZE), SAIF Zone, Sharjah - United Arab Emirates (the "Entity") was registered on May 23, 2013 as a Free Zone Company with limited liability and operates in the United Arab Emirates under the license nos. 12054 and 12055 issued by SAIF Zone Authority, Government of Sharjah.
- 1.2 The principal activities of the entity are unchanged since the previous year and consist of General trading and Management consultancy.
- 1.3 The registered office of the Entity is located at Saif Suite Y1-030, P.O. Box 121968, Sharjah, United Arab Emirates.
- 1.4 The management is vested with Mr. Mohammed Amjat Shariff (Manager).
- 1.5 These financial statements incorporate the operating results of the following entities.

Name of the entity	Beneficial ownership	Location
Shriram EPC (FZE) - Licence nos. 12054 and 12055	100%	SAIF Zone, Sharjah, U.A.E

2 Adoption of new and amended standards

2.1 Adoption of new and revised International Financial Reporting Standards (IFRSs):

(I) Standards and Interpretations effective in the current year

In the current period, the entity has adopted the following new and revised Standards, Amendments and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB to the extent they are relevant to its operations and effective from the beginning of the annual reporting period. The application of these new and revised IFRSs has not had any material impact on amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Summary of requirements of new and revised standards

a) IFRS 16 Leases

The new leases standard - IFRS 16 will require companies to bring most leases on balance sheet from 2019. Under the new standard, the companies will recognise new assets and liabilities, bringing added transparency to balance sheet.

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use asset) and a financial liability to pay rentals for virtually all lease contracts.

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 will not be applicable where the entity has elected not to recognize assets and liabilities for leases with a lease term of 12 months or less and recognizes the lease payments in profit or loss over the lease term.

b) Amendments to IFRS 9 - Prepayment features with negative compensation.

c) Amendments in IAS 28- Long term interests in Associates & Joint ventures.

d) Annual improvements to IFRS standards 2015-2017 Cycle.

Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

e) Amendments to IFRS 10 Consolidated financial statements and IAS 28- Sale or contribution of assets between an investor and its associate or joint venture.

f) Amendments to IAS 19 - Employee benefits - Amendment, curtailment and settlement.

Shriram EPC (FZE)

SAIF Zone, Sharjah - United Arab Emirates

Notes to the financial statements for the year ended December 31, 2020

2 Adoption of new and amended standards (continued)

2.1 Adoption of new and revised International Financial Reporting Standards (IFRSs): (continued)

(II) Standards and Interpretations in issue but not yet effective.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective and have not been adopted by the entity. The entity intends to adopt these standards, if applicable, when they become effective.

* Effective for annual periods beginning on or after January 1, 2021.

a) IBOR reform phase 2 Amendment.

IASB issued 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. Amendment considers relief to hedge accounting in the period before the reform, and has led to the amendments discussed in this publication. These amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

* Effective for annual periods beginning on or after January 1, 2022.

b) Property, Plant & Equipment : Proceeds before intended use-Amendment to IAS 16.

IASB issued Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is testing whether the asset is functioning properly when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

c) Provisions, Contingent liabilities and contingent assets -IAS 37.

AS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).IASB issued 'Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

d) IAS 41- Agriculture.

AS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.

e) IFRS-1 -First time adoption of International Financial Reporting Standards.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.

f) IFRS 3 - Business combinations.

IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.

g) 2018-2020 Annual improvement cycle.

IASB issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project.

* Effective for annual periods beginning on or after January 1, 2023.

Shriram EPC (FZE)

SAIF Zone, Sharjah - United Arab Emirates

Notes to the financial statements for the year ended December 31, 2020

2 Adoption of new and amended standards (continued)

2.1 Adoption of new and revised International Financial Reporting Standards (IFRSs): (continued)

(II) Standards and Interpretations in issue but not yet effective. (continued)

h) New IFRS 17 - Insurance contracts.

IFRS 17 was issued in May 2017 and which requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 supersedes IFRS 4 Insurance contracts.

IFRS 17 requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of :

- i) Discounted probability -Weighted cash flows.
- ii) An explicit risk adjustment.
- iii) A Contractual service margin representing the unearned profit of the contract which is recognized as revenue over the coverage period.

i) IAS 1- Presentation of the financial statements

IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. The IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

Management anticipates that these new standards, interpretations and amendments will be adopted in the entity's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the entity in the period of initial application.

3 Significant accounting policies

A summary of the significant accounting policies, which have been applied consistently, is set out below:

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and also in compliance with the UAE Federal Law No. (2) of 2015. These financial statements are presented in United Arab Emirates Dirham (AED) which is the Entity functional and presentation currency.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets or goods or services.

The principal accounting policies applied in these financial statements are set out below.

3.3 Current/Non current classification

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

Expected to be realised or intended to sold or consumed in normal operating cycle or held primarily for the purpose of trading or expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Shriram EPC (FZE)

SAIF Zone, Sharjah - United Arab Emirates

Notes to the financial statements for the year ended December 31, 2020

3 Significant accounting policies (continued)

3.3 Current/Non current classification (continued)

A liability is current when it is expected to be settled in normal operating cycle or it is held primarily for the purpose of trading or it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Entity classifies all other liabilities as non-current.

3.4 Foreign currency

The transactions in currencies other than the Entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. The non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

3.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and identified impairment loss, if any. The cost comprise of purchase price, together with any incidental expense of acquisition. Cost also includes transfers from equity of any gains or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs 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 of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

	Years
Office equipments	5
Computers	3

When part of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss.

3.6 Impairment of tangible assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Shriram EPC (FZE)

SAIF Zone, Sharjah - United Arab Emirates

Notes to the financial statements for the year ended December 31, 2020

3 Significant accounting policies (continued)

3.6 Impairment of tangible assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

3.7 Financial instruments

Financial assets and financial liabilities are recognised when the Entity becomes a party to the contractual provisions of the instrument.

3.8 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash, bank balances, bank overdrafts and fixed deposits free of encumbrance with maturity periods of three months or less from the date of deposit. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise 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 and other receivables are initially recognised at fair value and subsequently measured at amortised cost reduced by appropriate allowance for estimated doubtful debts.

Impairment of financial assets

Assets carried at amortised cost

The Entity assesses at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Shriram EPC (FZE)

SAIF Zone, Sharjah - United Arab Emirates

Notes to the financial statements for the year ended December 31, 2020

3 Significant accounting policies (continued)

3.8 Financial assets (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

Derecognition of financial assets

The Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognises its retained interest in the asset and an associated liability for the amounts, it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognise the financial asset.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are recognised initially at fair value and, in the case of loans, 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, due to and loans from related

3.9 Financial liabilities

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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 and other payables are recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

Loans and other borrowings

Loans and other borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted on accrual basis and are added to the carrying value of the instruments to the extent that they are not settled in the period in which they arise.

Derecognition of financial liabilities

The Entity derecognises financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. 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.

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 Provisions

Provisions are recognised when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Shriram EPC (FZE)

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Notes to the financial statements for the year ended December 31, 2020

3 Significant accounting policies (continued)

3.11 Provisions (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

3.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised either at a point in time or over time, when (or as) the Entity satisfies performance obligations by transferring the promised goods or services to its customers.

The Entity recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as current liabilities in these financial statements. Similarly, if the Entity satisfies a performance obligation before it receives the consideration, the Entity recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

3.13 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in policy notes, the management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Critical judgements in applying accounting policies

In the process of applying the Entity's accounting policies, which are described above, and due to the nature of operations, management makes the following judgment that has the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Under normal circumstances, the management is of the view that in line with the requirement of IFRS 15 - Revenue from Contracts with Customers, the Entity recognises revenue to depict the transfer of promised goods and services to the customer in an amount that reflects the consideration to which the Entity expects to be entitled in exchange for those goods or services.

Management has considered the detailed criteria for the recognition of revenue from sale of goods or services as set out in International Financial Reporting Standard 15 - Revenue from Contracts with Customers and in particular whether the Entity had transferred control of the goods or services and satisfies the performance obligation at a point in time. The Entity recognises all of the revenue at the point at which the customer is able to use, and obtain substantially all the benefits of goods or services.

Key sources of estimation uncertainty

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

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Notes to the financial statements for the year ended December 31, 2020

3 Significant accounting policies (continued)

3.13 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment of equity investments

The Entity treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists giving due consideration to other factors, including normal volatility in share prices for quoted equities and the future cash flows and the discount factors for unquoted equities.

Useful lives of property and equipment

Property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

Fair value measurement of financial instruments

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

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4 Property, plant and equipment

	Office Equipments	Computers	Total
Cost			
As at December 31, 2018	17,236	4,458	21,694
Additions during the year	-	-	-
As at December 31, 2019	17,236	4,458	21,694
Additions during the year	-	-	-
As at December 31, 2020	17,236	4,458	21,694
Accumulated depreciation			
As at December 31, 2018	6,704	1,841	8,545
Charge for the year	3,204	1,318	4,522
As at December 31, 2019	9,908	3,159	13,067
Charge for the year	3,204	935	4,139
As at December 31, 2020	13,112	4,094	17,206
Carrying value as at December 31, 2020	4,124	364	4,488
Carrying value as at December 31, 2019	7,328	1,299	8,627

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Notes to the financial statements for the year ended December 31, 2020

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5 Investment in subsidiaries	Proportion of ownership interest	Proportion of voting power	2020	2019
Shriram EPC Arkans LLC	70.00%	100.00%	<u>1,685,354</u>	<u>1,685,354</u>
			<u>1,685,354</u>	<u>1,685,354</u>

The principal activity of the Shriram EPC Arkans LLC is to provide Engineering, procurement and construction.

6 Other non-current assets

Security deposits	<u>10,124</u>	<u>11,624</u>
Rent advances	<u>1,500</u>	<u>1,500</u>
	<u>11,624</u>	<u>13,124</u>

7 Related party transactions

The Entity enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24, Related party disclosures. Such transactions are in the normal course of business and at terms that correspond to those on normal arms-length transactions with third parties. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel.

The management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as other charges, if applicable.

a) Due from related parties

	2020	2019
Due from entity under common management and control SVL Limited, India	<u>2,268,142</u>	<u>2,268,142</u>
	<u>2,268,142</u>	<u>2,268,142</u>

b) Due to related parties

Due to entity under common management and control Shriram EPC Arkans LLC, Oman	<u>36,325,654</u>	<u>33,155,240</u>
	<u>36,325,654</u>	<u>33,155,240</u>

c) Transactions with related parties

The nature of significant related party transactions and the amounts involved were as follows:

Purchases/cost	<u>-</u>	<u>35,299,631</u>
Fund receivable / (payable) (net)	<u>-</u>	<u>(13,221,429)</u>

8 Trade receivables

Trade receivables	<u>41,088,016</u>	<u>43,373,438</u>
	<u>41,088,016</u>	<u>43,373,438</u>

The average credit period for the trade receivables is 90 days (2019: 90 days). Provisions are based on the estimated irrecoverable amounts determined by reference to past default experience.

Of the trade receivables as at December 31, 2020, 100% of such trade receivables is unsecured but considered good.

9 Advances, deposits and other receivables

Advances to suppliers	<u>31,727,350</u>	<u>34,931,700</u>
Other advances	<u>20,362</u>	<u>22,039</u>
VAT input	<u>7,485</u>	<u>90,741</u>
	<u>31,755,197</u>	<u>35,044,480</u>

10 Cash and bank balances

Cash in hand	<u>-</u>	<u>32</u>
Cash at banks	<u>227,198</u>	<u>2,810,976</u>
	<u>227,198</u>	<u>2,811,008</u>

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Notes to the financial statements for the year ended December 31, 2020

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	<u>2020</u>	<u>2019</u>
11 Share Capital		
Authorised, issued, subscribed and paid up capital of the Entity is AED 150,000, divided into 150,000 shares of AED 1/- each fully paid.		
The details of the shareholding as at reporting date are as follows:		
Name of Shareholders	Percentage	No of shares
Shriram EPC Limited (India)	100%	150,000
	<u>100%</u>	<u>150,000</u>
	<u>150,000</u>	<u>150,000</u>
12 Retained earnings		
Balance at the beginning of the year	(345,379)	(442,439)
Add: Profit for the year	558,538	97,060
Add: Shareholders' current account	-	-
Balance at the end of the year	<u>213,159</u>	<u>(345,379)</u>
13 Trade and other payables		
Trade payables	28,873,860	35,278,233
Retention payables	2,761,735	3,883,743
Advance billing	8,702,735	10,630,703
Advance from customers	-	2,233,187
Other payables	12,876	218,446
	<u>40,351,206</u>	<u>52,244,312</u>
	For the year ended December31,	
14 Revenue	2020	2019
Income from works contract	1,927,968	236,853,195
	<u>1,927,968</u>	<u>236,853,195</u>
15 Direct cost		
Cost of materials consumed - Design and execution works	1,627,412	222,544,534
Direct labour (salaries, wages)	1,067	41,732
Staff welfare expenses	360	14,140
	<u>1,628,839</u>	<u>222,600,406</u>
16 Other income		
Others	501,379	675,920
	<u>501,379</u>	<u>675,920</u>
17 Administrative expenses		
Travelling and entertainment	13,182	180,056
Legal, visa and professional	86,545	13,467,368
Utilities	482	3,590
Telephone and communications	6,425	10,633
Exchange rate loss	53,892	109,903
Depreciation on property, plant and equipment (Note 4)	4,139	4,522
Rates and taxes	56,875	-
Bank charges	19,019	130,833
LC charges	367	837,436
Others	1,044	87,308
	<u>241,970</u>	<u>14,831,649</u>

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Notes to the financial statements for the year ended December 31, 2020

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18 Financial instruments*a) Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

b) Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis

	2020	2019	2020	2019
	Carrying amount		Fair value	
<i>Financial assets</i>				
Trade receivables	41,088,016	43,373,438	41,088,016	43,373,438
Other receivables	31,755,197	35,044,480	31,755,197	35,044,480
Due from related parties	2,268,142	2,268,142	2,268,142	2,268,142
Cash and bank balances	227,198	2,811,008	227,198	2,811,008
	<u>75,338,553</u>	<u>83,497,068</u>	<u>75,338,553</u>	<u>83,497,068</u>
<i>Financial liabilities</i>				
Trade and other payables	40,351,206	52,244,312	40,351,206	52,244,312
Due to related parties	36,325,654	33,155,240	36,325,654	33,155,240
	<u>76,676,860</u>	<u>85,399,552</u>	<u>76,676,860</u>	<u>85,399,552</u>

Financial instruments comprise of financial assets and financial liabilities.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties.

Financial assets consist of cash and bank balances, trade receivable, and certain other assets. Financial liabilities consist of trade payable, and certain other liabilities.

As at reporting date financial assets and financial liabilities are approximates their carrying values.

19 Financial risk management objectives

The Entity management set out the Entity's overall business strategies and its risk management philosophy. The Entity's overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Entity. The Entity policies include financial risk management policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), liquidity risk and credit risk. Periodic reviews are undertaken to ensure that the Entity's policy guidelines are complied with.

There has been no change to the Entity's exposure to these financial risks or the manner in which it manages and measures the risk.

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. The Entity does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

a) Foreign currency risk management

The Entity undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Entity does not have any significant exposure to currency risk, as most of its assets and liabilities are denominated in Arab Emirates Dirham and US Dollar to which Arab Emirates Dirham to US Dollar conversion is pegged.

b) Interest rate risk management

As at the reporting date, there is no significant interest rate risk as there are no borrowings at year end.

c) Liquidity risk management

Ultimate responsibility for liquidity risk management rest with the management which has built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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19 Financial risk management objectives (continued)*Liquidity and interest risk tables:*

The table below summarises the maturity profile of the Entity's financial assets and financial liabilities. The contractual maturities of the financial assets and financial liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the statement of financial position date based on contractual repayment arrangements were as follows:

Particulars	Interest bearing			Non Interest bearing			Total
	On demand or less than 3 months	Within 1 year	More than 1 year	On demand or less than 3 months	Within 1 year	More than 1 year	
As at December 31, 2020							
Financial assets							
Trade receivables	-	-	-	-	41,088,016	-	41,088,016
Other receivables	-	-	-	-	31,755,197	-	31,755,197
Due from related parties	-	-	-	-	2,268,142	-	2,268,142
Cash and bank balances	-	-	-	227,198	-	-	227,198
	-	-	-	227,198	75,111,355	-	75,338,553
Financial liabilities							
Trade and other payables	-	-	-	-	40,351,206	-	40,351,206
Due to related parties	-	-	-	-	36,325,654	-	36,325,654
	-	-	-	-	76,676,860	-	76,676,860
As at December 31, 2019							
Financial assets							
Trade receivables	-	-	-	-	43,373,438	-	43,373,438
Other receivables	-	-	-	-	35,044,480	-	35,044,480
Due from related parties	-	-	-	-	2,268,142	-	2,268,142
Cash and bank balances	-	-	-	2,811,008	-	-	2,811,008
	-	-	-	2,811,008	80,686,060	-	83,497,068
Financial liabilities							
Accounts and other payables	-	-	-	-	52,244,312	-	52,244,312
Due to related parties	-	-	-	-	33,155,240	-	33,155,240
	-	-	-	-	85,399,552	-	85,399,552

d) Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties. The Entity's exposure are continuously monitored and their credit exposure is reviewed by the management regularly and the Entity maintains an allowance for doubtful debts based on expected collectability of all accounts receivables.

Trade receivables consist of a number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. Further details of credit risks on trade and other receivables are disclosed in Note 8 and 9 to the financial statements.

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

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

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Notes to the financial statements for the year ended December 31, 2020

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20 Capital risk management

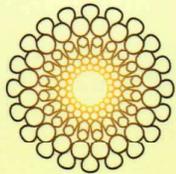
The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the stakeholders through the optimization of the equity balance. The Entity's overall strategy remains unchanged from prior year.

21 Contingent liabilities

Except for the ongoing business obligations which are under normal course of business, there has been no other known contingent liability on Entity's financial statements as of reporting date.

22 Reclassification

During the year, the management has done certain reclassifications on the statement of profit or loss for better presentations.



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