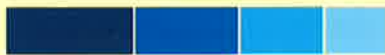


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Shriram EPC Arkan LLC
(C.R. No. 1288428)
PO. Box - 1751, PC -130, Muscat
Sultanate of Oman

Auditors' Report and Financial Statements
as at 31 December 2020

GCCA



مركز الخليج للاستشارات والتدقيق
Gulf Center Consultancy & Audit
Auditors & Business Consultants
Sultanate of Oman

Shriram EPC Arkan LLC
(A Limited Liability Company)

Financial Statements
as on 31 December 2020

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**Independent Auditor's report to the members of
Shriram EPC Arkan LLC**

We have audited the accompanying financial statements of Shriram EPC Arkan LLC. ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, the statement of changes in members' equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The management of the Company 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Gulf Center Consultancy & Audit
Muscat, Sultanate of Oman



Ref: GCCA/MCT/AR/3275
Date: 05 October 2021

Shriram EPC Arkan LLC
(A Limited Liability Company)

Statement of Financial Position
As at 31 December 2020

	<u>NOTE</u>	<u>31.12.2020</u> <u>OMR</u>	<u>31.12.2019</u> <u>OMR</u>
<u>Assets</u>			
Non-Current Assets			
Property, plant and equipment	4	59,102	63,366
Current Assets			
Trade and other receivables	5	4,601,547	6,835,178
Advances, prepayments and accruals	6	395,219	440,719
Cash and cash equivalents	7	107,168	318,461
Total Current Assets		5,103,934	7,594,358
Total Assets		5,163,036	7,657,724
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share Capital	9	250,000	250,000
Legal Reserve	10	9,964	9,155
Retained earnings		79,231	71,953
Total Equity		339,195	331,108
Non current liabilities			
Retentions payable		2,322,261	1,895,946
Total non-current liabilities		2,322,261	1,895,946
Current Liabilities			
Trade and other payables	8	2,501,580	5,422,446
Taxation provision		-	8,224
Total current liabilities		2,501,580	5,430,670
Total Equity and Liabilities		5,163,036	7,657,724

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

The financial statements, as set out on pages 2 to 23, were approved and authorized for issue by the members on 17 August 2021 and were signed on their behalf by :

Member

Member

Company Stamp

The report of auditors on Page 1



Shriram EPC Arkan LLC
(A Limited Liability Company)

Statement of Comprehensive Income
For the year from 01 January 2020 to 31 December 2020

	NOTE	<u>31.12.2020</u> <u>OMR</u>	<u>31.12.2019</u> <u>OMR</u>
Revenue	11	5,674,802	13,318,223
Less: Cost of Operation	12	5,340,668	12,123,480
Gross Profit		334,135	1,194,743
Add: Other income	13	122,316	3,420
Total income		456,451	1,198,163
<u>Expenditure</u>			
General & Administrative expenses	14	275,082	681,697
Employment cost	15	166,853	446,102
Financial charges		1,058	2,546
Depreciation	4	5,371	5,519
Total Expenditure		448,364	1,135,864
Net Profit for the year		8,087	62,299
Less: Legal Reserve	10	809	6,230
Less: Taxation provision		-	7,692
Retained Profit for the Year		7,278	48,377

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

The financial statements, as set out on pages 2 to 23, were approved and authorized for issue by the members on 17 August 2021 and were signed on their behalf by :

Company Stamp

M. Al-Hadi
Member

The report of auditors on Page 1



Shriram EPC Arkan LLC
(A Limited Liability Company)

Statement of Changes in equity
for the year ended 31 December 2020

	<u>Share Capital OMR</u>	<u>Legal Reserve OMR</u>	<u>Retained Earnings OMR</u>	<u>Total OMR</u>
Balance as at : 01 January 2019	250,000	2,925	23,576	276,501
Net Profit for the year	-	-	62,299	62,299
Transfer to Legal Reserve	-	6,230	(6,230)	-
Taxation provision	-	-	(7,692)	(7,692)
Balance as at 31 December 2019	250,000	9,155	71,953	331,108
Net Profit for the year	-	-	8,087	8,087
Transfer to Legal Reserve	-	809	(809)	-
Balance as at 31 December 2020	250,000	9,964	79,231	339,195



Shriram EPC Arkan LLC
(A Limited Liability Company)

Statement of Cash Flow for the year ended 31 December 2020

31.12.2020
OMR

Retained Profit for the year	7,278
<u>Add: Adjustment for Items not involving the movement of funds</u>	
Depreciation	5,371
Legal reserve	809
Operating Profit before changes in Working Capital	<u>13,458</u>
<u>Changes in Working capital</u>	
Trade and other receivables	2,233,631
Advances, prepayments and accruals	45,500
Trade and other payables	(2,920,866)
Tax paid	(8,224)
Total changes in Working Capital	<u>(649,959)</u>
Net Cash Flow from Operating Activities	<u>(636,502)</u>
<u>Cash Flow from Investing Activities</u>	
Fixed Assets Addition	(3,150)
Fixed assets disposal	2,043
Net Cash Flow from Investing Activities	<u>(1,107)</u>
<u>Cash Flow from Financing Activities</u>	
Retentions payable	426,315
Net Cash Flow from financing activities	<u>426,315</u>
Net Cash Flow from Operating/Investing & Financing Activities	<u>(211,293)</u>
Cash and cash equivalents, beginning of the year (Net)	318,461
Cash and cash equivalents, end of the year	<u><u>107,168</u></u>



Shriram EPC Arkan LLC
(A Limited Liability Company)

Notes to the Financial Statements for the year ended 31 December 2020

1. Establishment and operations

Shriram EPC Arkan LLC ('the Company') was registered on 07 March 2017 having CR No.1288428 as a Limited Liability Company. The shareholders and shareholding pattern are as under:

SI No	Shareholders	Nationality	%	Shares	Amount
1	Arkan Group LLC	Omani	30	75,000	75,000
2	Shriram EPC (FZE)	UAE Co.	70	175,000	175,000
Total			100%	250,000	250,000

The address of the registered office of the company is Suite No-204, Al Wafi building, Mezzanine floor, P.O Box-3784, PC-112, Muscat, Sultanate of Oman.

The principal activities of the company are : Construction of outdoor swimming pools, roads, buildings, utility projects, airports, harbours, sewer systems, maintenance and repair of wells and falajs, water well drilling, civil engineering projects, construction and maintenance of railways, etc.

These financial statements were approved for issue by the members on 18 June 2020.

2 Basis of preparation and significant accounting policies

(a) Statement of Compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Financial Reporting Standards Committee ("IFRSC"), interpretations issued by the Standing Interpretations Committee of IFRSC, and the requirement of the Commercial Companies Law, 1974 of Sultanate of Oman.

(b) Basis of measurement

These financial statements have been prepared on historical cost basis, except for the financial assets at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services. 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 company 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 a measurement date.



Shriram EPC Arkan LLC
(A Limited Liability Company)

Notes to the Financial Statements for the year ended 31 December 2020

(c) Revenue recognition

Revenue is recognized in the statement of comprehensive income at the fair value of the consideration received or receivable, provided it is probable that the economic benefits will flow to the company and the revenue and costs, if applicable can be measured reliably.

(i) Sale of Goods

Revenue from the sale of goods is recognized when all the following conditions are

- 1) The company has transferred to the buyer the significant risk and rewards of ownership of the goods and services ;
- 2) The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) The amount of revenue can be measured reliably;
- 4) It is probable that the economic benefit associated with the transactions will flow to the company ; and
- 5) The costs incurred or to be incurred in respect of the transactions can be measured reliably.

(ii) Provision for employees benefits

Estimated amounts required to cover employees end of service indemnity at the date of statement of financial position are computed pursuant to the Omani labor law as per the Royal Decree No.35/2003 based on the employees accumulated period of service and the current remuneration at the date of statement of financial position.

The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

and leave passage as a result of services rendered by the employees up to the date of statement of financial position. The provisions relating to the annual leave and leave passage is classified and included in other payables as a current liability, while that relating to the employees end of service benefits is disclosed as a non-current liability.

(d) Use of estimates and judgments

The preparation of financial statements 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



Shriram EPC Arkan LLC
(A Limited Liability Company)

Notes to the Financial Statements for the year ended 31 December 2020

(e) Inventories

Inventories are measured at the lower of cost and net realizable value, after making due allowance for any obsolete or slow moving items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimate cost of completion and selling expenses. Cost is determined as follows:

(i) Raw materials

The cost of raw materials include insurance, freight and other incidental charges incurred in acquiring the inventories and bringing them to their present location and condition.

(ii) Finished Goods

The cost of finished goods is arrived at on a weighted average cost basis and includes cost of direct materials and direct labor plus an appropriate share of production overheads based on normal operating capacity.

The Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(f) Property, Plant and equipment

Property and equipment are carried at cost, less accumulated depreciation and any identified impairment loss. Property and equipment are depreciated using straight line method over the expected useful lives of assets as under:

	<u>Years</u>
Building	20
Furniture and fixtures	5
Computers	6-7
Office equipment	6-7

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefit from these assets, and adjusted prospectively, if appropriate. An assets carrying amount is written down immediately to its recoverable amount, if the carrying amount is greater than its estimated recoverable amount. Maintenance and repairs are charged to expenses as incurred and renewals and improvements which extend the life of the asset, are capitalized and depreciated over the remaining life of the asset. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognized in the statement of comprehensive income.



Shriram EPC Arkan LLC
(A Limited Liability Company)

Notes to the Financial Statements for the year ended 31 December 2020

(g) Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its non-financial assets as determined 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 Company 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 cost to sell and value in use.

Impairment losses of continuing operations, including impairment on inventories are recognized in the statement of comprehensive income in expenses categories consistent with the function of the impaired assets, except for assets previously revalued with the revaluation taken to other comprehensive income. For such assets, the impairment is recognized in other comprehensive income up to the amount of any previous revaluation.

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

(h) Cash and Cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank borrowings that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. A reversal of an impairment loss is recognized immediately in the profit or loss, unless the relevant is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



Shriram EPC Arkan LLC**(A Limited Liability Company)****Notes to the Financial Statements for the year ended 31 December 2020****(i) Impairment**

The carrying amounts of the Company's assets, other than inventories are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. As impairment loss is recognized in the profit and loss account whenever the carrying amounts of an asset exceeds its recoverable amount.

An impairment loss in respect of receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss has been recognized.

(j) Dividends

No Dividends are recognized as a liability in the period in which they are declared and appropriated.

(k) Provisions

A provision is recognized in the Statement of financial position when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligations. If the effect is material, provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. The financial assets and financial liabilities are initially measured at fair value. Transaction cost that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) Financial Assets

The company's financial assets include cash and bank balances referred to as 'Cash and cash equivalents', other financial assets, trade and other receivables (excluding prepayments) and due from related parties classified as 'Loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.



Shriram EPC Arkan LLC
(A Limited Liability Company)

Notes to the Financial Statements for the year ended 31 December 2020

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iii) Loans and receivables

Loans and receivables that have fixed or determinable payments are initially measured at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

(iv) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets (a 'loss event'), the estimated future cash flows of the financial assets have been affected and the impact can be reliably estimated.

(v) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the amount of the impairment is the difference between assets carrying amount and the present value of estimated future cash flows discounted at the original effective interest rates.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive income.



Shriram EPC Arkan LLC
(A Limited Liability Company)

Notes to the Financial Statements for the year ended 31 December 2020

(v) Financial assets carried at amortized cost (Contd...)

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 recognized, the previously recognized impairment loss is reversed through statement of comprehensive income to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Impairment losses recognized for financial assets carried at cost are not reversed.

Derecognition of financial assets :- The company derecognizes 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 company neither transfers nor retains substantially all the risks and rewards of ownership continues to control the transferred assets, the company recognizes its retained interest in the assets and an associated liability for amounts it may have to pay.

(m) Financial Liabilities

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss and other financial liabilities measured at amortized cost using the effective interest method. The company's financial liabilities include trade and other payables and due to related parties classified as other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Other financial liabilities : Other financial liabilities are subsequently measured at amortized cost using effective interest method except for short term payable where the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or , where appropriate, a shorter period to the net carrying amount on initial recognition.

Derecognition of financial liabilities: The company derecognizes financial liabilities when, and only when, the company's obligations are discharged, cancelled, or expired. 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 is the respective carrying amounts is recognized in the statement of comprehensive income.



Shriram EPC Arkan LLC
(A Limited Liability Company)

Notes to the Financial Statements for the year ended 31 December 2020

Financial Liabilities (contd..)

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.

(n) Current and non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is (a) expected to be realized or intended to be sold or consumed in normal operating cycle (b) held primarily for the purpose of trading (c) expected to be realized within 12 months after the reporting period (d) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when : (a) it is expected to be settled in normal operating cycle (b) it is held primarily for the purpose of trading © it is due to be settled within 12 months after the reporting period (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period . The company classifies all other liabilities as non-current.

(o) Income Tax

Income tax on the profit or loss for the period comprises current and deferred tax, income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is calculated using the financial position liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities , using tax rates enacted or substantially enacted at the statement of financial position date.

(p) Net financing cost

Net financing costs comprise interest payable on borrowings, interest earned on deposits and foreign exchange gain and losses recognized in the period in which they are incurred. Interest costs incurred in connection with borrowings are expensed as incurred as part of the net financing costs.



Shriram EPC Arkan LLC
(A Limited Liability Company)

Notes to the Financial Statements for the year ended 31 December 2020

(q) Foreign Currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of outstanding amounts of such transactions and from the re translation of monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are recognized in the statement of comprehensive income. At the end of each reporting period monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(r) New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual period beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except for IFRS 9 'Financial Instruments', which becomes mandatory for the company's 2020 financial statements.

3 Critical accounting judgments and key source of estimating uncertainty

Preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. The determination of estimates require judgments which are based on historical experience, current and expected economic conditions and all other available information. Actual results could differ from those estimates. The most significant areas which require the use of management estimates and assumptions in the financial statements relate to:

Economic Useful lives of plant and equipment : The company's plant and equipment are depreciated on a straight line basis over their economic useful lives. Economic useful lives of plant and equipment are reviewed by the management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue economic benefit to the company.



Shriram EPC Arkan LLC
(A Limited Liability Company)

Notes to the Financial Statements for the year ended 31 December 2020

3 Critical accounting judgments and key source of estimating uncertainty (Contd)....

Provisions: An assessment made at each statement of financial position date to determine whether there is objective evidence that specific financial assets may be impaired. An estimate of the collectible amount of trade receivables is made when the collection of the full amount is no longer probable. For individually significant amounts, this estimate is performed on an individual basis. Amounts which are not significant, but which are past due, are individually assessed collectively and a provision is applied according to the length of time the amount is past due, based on historical recovery rates. Any difference between the amounts actually collected in future period and the amounts expected will be recognized in the statement of comprehensive income. The company also creates a provision for obsolete and slow moving inventories. Estimates of net realizable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events conforms conditions existing at the end of the reporting period.

Going Concern: The management of the company reviews the financial position on a periodical basis and assess the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the members of the company ensure that they provide adequate financial support to fund the requirements of the company to ensure the going concern status of the company.

Contingencies : By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgments and estimates of the outcome of future events.

Determination of fair values : A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.



Shriram EPC Arkan LLC
(A Limited Liability Company)

Notes related to the Financial Statements for the year ended 31 December 2020

4 Property, Plant and equipment

(a) <u>Year 2020</u>	<u>Building</u>	<u>Furniture & Fixtures</u>	<u>Computers</u>	<u>Office Equipment's</u>	<u>Total</u>
	<u>OMR</u>	<u>OMR</u>	<u>OMR</u>	<u>OMR</u>	<u>OMR</u>
<u>Cost</u>					
As on 01 January 2020	21,132	37,712	4,081	8,689	71,614
Addition during the year	-	-	3,150	-	3,150
Deletions/Adjustments	(164)	(2,512)	-	(37)	(2,713)
As on 31 December 2020	20,968	35,200	7,231	8,652	72,051
<u>Depreciation</u>					
As on 01 January 2020	2,021	4,200	921	1,106	8,248
Charge for the year	1,093	2,620	900	758	5,371
Deletions/Adjustments	(14)	(635)	-	(21)	(670)
As on 31 December 2020	3,100	6,185	1,821	1,843	12,949
Written Down Value					
As on 31 December 2020	17,868	29,015	5,410	6,809	59,102
b) <u>Year 2019</u>					
<u>Cost</u>					
As on 01 January 2019	8,793	34,808	2,688	3,747	50,036
Addition during the year	12,339	2,904	1,620	4,942	21,805
Deletions/Adjustments	-	-	(227)	-	(227)
As on 31 December 2019	21,132	37,712	4,081	8,689	71,614
<u>Depreciation</u>					
As on 01 January 2019	450	1,580	268	457	2,755
Charge for the year	1,571	2,620	679	649	5,519
Deletions/Adjustments	-	-	(26)	-	(26)
As on 31 December 2019	2,021	4,200	921	1,106	8,248
Written Down Value					
As on 31 December 2019	19,111	33,512	3,160	7,583	63,366
Rate of Depreciation	4%	20%	15%	15%	



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	<u>31.12.2020</u>	<u>31.12.2019</u>
	<u>OMR</u>	<u>OMR</u>
5 <u>Trade and other receivables</u>		
Trade receivables	790,189	3,355,671
Related party receivable	3,810,674	3,479,192
Loans and Advances	684	315
TOTAL	<u>4,601,547</u>	<u>6,835,178</u>
6 <u>Advances, prepayments and accruals</u>	<u>OMR</u>	<u>OMR</u>
Security deposit	5,000	5,000
Rent advance	500	500
Advances to creditors	389,719	435,219
TOTAL	<u>395,219</u>	<u>440,719</u>

- i) Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognized the allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the company to the counter party.

The average credit period is 90 days. No interest is being charged on trade receivables. Allowances for doubtful debts are recognized against trade receivables above 360 days based on estimated irrecoverable amounts determined with reference to past default experience of the counter party and an analysis of the counter party's current financial position.

ii) **Related party transactions and balances**

The company, in the ordinary course of business deals with parties, which fall within the definition of 'Related parties' as contained in international Accounting Standard No.24. The management believes that such transactions are not materially different from those that could be obtained from unrelated parties. The balances due from and due to related parties are unsecured, where no interest, have no fixed repayment terms and have been disclosed separately in the statement of financial position.

The carrying amounts of the company's trade receivables are denominated in Omani Rials.



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The ageing analysis of unimpaired trade receivables are as follows :

	<u>31.12.2020</u> <u>OMR</u>	<u>31.12.2019</u> <u>OMR</u>
Less than 120 days	632,151	1,695,520
Above 120 days	158,038	1,660,151
TOTAL	790,189	3,355,671

	<u>31.12.2020</u> <u>OMR</u>	<u>31.12.2019</u> <u>OMR</u>
7 Cash and cash equivalents		
Cash in Hand	4,070	4,089
Cash in Bank	28,098	239,372
Fixed deposits with bank	75,000	75,000
TOTAL	107,168	318,461

8 Trade and other payables

Trade payables	1,901,363	1,279,369
Salary payable	1,869	1,418
Advance billings	580,666	3,554,232
Advance from customers	-	539,991
Provision for expenses	10,467	-
Other payables	7,215	47,436
TOTAL	2,501,580	5,422,446

Trade payables are generally settled within 30 to 120 days of the suppliers invoice date. The contractual maturity date for trade payables is due within 12 months from the statement of financial position date.

9 Share Capital

The share capital, as registered with the Ministry of Commerce & Industry, is OMR 250,000/-, comprising of 250,000 equity shares of OMR 1 each.



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10 Legal Reserve

In accordance with the provision of the Commercial companies law 1974, as amended an amount equivalent to 10% of the company's net profit before appropriations is required to be transferred to a non-distributable reserve until such time as a minimum of 1/3 of the share capital is set aside. During the year ended 31 December 2020, the company has transferred an amount of OMR.37,861 /- to the Legal Reserve.

11 Revenue

	<u>31.12.2020</u>	<u>31.12.2019</u>
	<u>OMR</u>	<u>OMR</u>
Income from works contract	5,674,802	13,318,223
TOTAL	<u>5,674,802</u>	<u>13,318,223</u>

Contract income is recognized under the percentage of completion method. When the outcome of a construction contract can be estimated reliably, contract revenue is recognized by reference to the stage of physical completion of the contract. The contract income and costs are recognized as income and expenses in the statement of comprehensive income in the accounting year in which the work is performed. The contract income is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of income, expenses and profit which can be attributed to the proportion of work completed. Profits expected to be realized on construction contracts are based on estimates of total income and cost at completion.

When the outcome of a construction contract cannot be estimated reliably, the contract income is recognized to the extent of contract costs incurred up to the year-end where it is probable those costs will be recoverable. Contract costs are recognized when incurred. The excess of progress billings over contract costs is classified under trade and other payables as due to customers' for construction contracts. The stage of physical completion of the contracts is determined based on the survey of work performed estimated by the company's quantity at the reporting date.

Losses on contracts are assessed on an individual contract basis and if estimates of costs to complete the construction contracts indicate losses, provision is made for the full losses anticipated in the period in which they are first identified. Amounts due to customers for construction contracts represent the net amount of costs incurred plus recognized profits and progress billings for contracts in progress, where progress billings exceed costs incurred, plus recognized profits (less recognized losses).



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Notes to the Financial Statements for the year ended 31 December 2020

	31.12.2020	31.12.2019
	OMR	OMR
12 Cost of operations		
Labour charges	4,601,421	11,057,884
Site maintenance expenses	233,104	271,039
Rent	34,106	79,654
Sub Contract Expenses	20,378	65,180
Consumption	340,499	444,187
Power & Fuel	50,847	72,861
Import Expenses	31,357	58,506
Testing Charges	28,956	74,169
TOTAL	5,340,668	12,123,480
13 Other Income		
Interest Income	1,225	2,250
Liquidated Damages Charges to suppliers	53,638	-
Other Income	67,453	1,170
TOTAL	122,316	3,420
14 General & Administrative expenses		
Business development expenses	197	1,305
Travelling and conveyance	93,883	258,011
Insurance charges	4,348	38,946
Office Maintenance		31,607
Communication expenses	19,650	25,191
Legal and professional charges	106,125	283,583
Loss on sale of assets	926	-
Rates & Taxes	2,240	2,728
Vehicle maintenance	2,459	2,724
Miscellaneous expenses	23,891	4,111
Exchange fluctuation - loss	19,240	27,230
Printing and Stationary	2,124	6,261
TOTAL	275,082	681,697
15 Employment Cost		
Salary and Allowance	95,277	146,528
Contribution to and provision for provident fund	4,113	10,918
Other staff related expenses	67,463	288,656
TOTAL	166,853	446,102



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Notes to the Financial Statements for the year ended 31 December 2020

16 Financial Assets and Liabilities and Risk Management

(a) Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, trade and other receivables, bank overdraft, long term loan due from and to related parties, due from a member and trade and other payables. The particular recognition method adopted are disclosed in the individual policy statement associated with each item.

(b) Risk management

Risk management is carried out by the finance department of the company under the guidance of the senior management and members. The senior management and members provide significant guidance for over all risk management covering specific areas such as credit risk, interest rate risk, foreign exchange rate risk and investment of excess liquidity.

(c) Capital management

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2020.

The company monitors capital using a gearing ratio which is net debt divided by total capital plus net debt. The company includes within net debt, trade and other payables, bank overdrafts, due to related parties and long term loan less cash and bank balances. Capital includes share capital, reserves, members current account and retained earnings.

	31.12.2020	31.12.2019
	OMR	OMR
Trade and other payables	2,501,580	5,422,446
Retentions payable	2,322,261	1,895,946
less: Cash and bank balances	(107,168)	(318,461)
Net debt	4,716,673	6,999,931
Share capital	250,000	250,000
Legal reserve	9,964	2,925
Retained earnings	79,231	23,576
Total	339,195	276,501
Total capital and net debt	5,055,868	7,276,432
Capital gearing ratio	93%	96%

In addition, the company's activities expose it to a variety of financial risks; market risk (including currency rate risk, interest rate risk and price risk), credit risk and liquidity risk.



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(d) Market Risk

(a) *Foreign exchange risk :*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The majority of the Company's financial assets and financial assets and financial liabilities are either denominated in Omani Rials or currencies fixed against the Omani Rials. Hence the management believes that there would not be a material impact on the profitability if these foreign currencies weaken or strengthen against the Omani Rials with all other variables held constant.

Management considers that sensitivity analysis is not necessary due to the company's limited exposure to foreign exchange risk.

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The company's interest rate risk arises from Bank borrowings. The interest rates on bank overdrafts and long term loans are at commercial rates negotiated with the banks. The company is exposed to interest rate risk as the company borrows funds at both fixed and floating interest rates.

(c) *Price Risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) , whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company has no equity investments which can give exposure to price risk.

(d) *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The company is potentially exposed to credit risk, principally on its trade and other receivables, due from a member, due from related parties and cash and cash equivalents. The credit risk on trade receivables, due from a member and due from related parties are subjected to credit evaluations and a provision is made for estimated irrecoverable amounts. The amounts presented in the statement of financial position are net of provisions for impaired trade receivables. The company reduces its potential concentration of credit risk by spreading its exposure over a large number of customers. The company's bank balances are held with high credit quality financial institutions.



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(e) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The company's management monitor liquidity requirements on a regular basis and ensures that sufficient funds are available, including unutilized credit facilities with banks, to meet any future commitments. The company manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities and by continuously monitoring forecasted and actual cash flows.

17 Fair values of financial instruments

Financial instruments consists of financial assets and liabilities. Financial assets and liabilities carried on the statement of financial position include cash and bank balances, trade and other receivables, trade and other payables, bank overdraft, long term loan, due from members and due from and to related parties. The particular recognition method adopted are disclosed in the individual policy statements associated with each item. In the opinion of the company's management, the fair values of financial assets and liabilities are not materially different from their carrying amounts.

18 Comparatives

Certain comparative figures of the previous year have been reclassified wherever necessary in order to conform with the presentation adopted in the current year. Such reclassifications do not affect the previously reported net profit or members' equity.

Figures are rounded off to the nearest Rials Omani.

