HCL Technologies Middle East FZ LLC

FINANCIAL STATEMENTS

31 MARCH 2021

HCL Technologies Middle East FZ LLC

FINANCIAL STATEMENTS

For the year ended 31 March'2021

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HCL Technologies Middle East FZ LLC

STATEMENT OF DIRECTOR'S REPORT

For the Year ended 31 March

DIRECTORS' REPORT

The Directors of HCL Technologies Middle East FZ-LLC (the "Company") present their report and audited financial statements for the year ended 31 March 2021.

ACTIVITIES

The principal activities of the Company are to provide IT, software, telecommunication and network services.

RESULTS AND DIVIDENDS

During the year, the Company has generated revenue amounting to AED 43,985,594 (2020: AED 30,315,400) and profit for the year is AED 1,501,673 (2020: AED 1,416,701). No dividends have been declared or paid during the year (2020: AED nil).

AUDITORS

KPMG Lower Gulf Limited has been appointed as auditor for the year ended 31 March 2021.

Sridharan S

Mr. Sundaram Sridharan

Director of HCL Technologies Middle East FZ- LLC

KPMG

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Independent Auditors' Report

To the Shareholder of HCL Technologies Middle East FZ LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HCL Technologies Middle East FZ LLC ("the Company"), which comprise the statement of financial position as at 31 March 2021. the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Directors' report.

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

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and their preparation in accordance with the applicable provisions of the Dubai Creative Clusters Private Company Regulations 2016 issued pursuant to Law No. (15) of 2014, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

We further report that the financial statements have been prepared, in all material respects, in accordance with the Dubai Creative Clusters Private Companies Regulations 2016 issued pursuant to Law No. (15) of 2014.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates

Date: 02 AUG 2021

Statement of profit or loss and other comprehensive income
For the Year ended 31 March

	Notes	**2021** **AED**	2020 AED
Revenue	6	**43,985,594**	30,315,400
Cost of revenue	8	**(39,188,377)**	(22,736,667)
GROSS PROFIT		**4,797,217**	7,578,733
General and administration expenses	9	**(2,519,562)**	(5,568,685)
Impairment loss on trade receivable	13	**(668,632)**	(454,021)
Finance cost		**(107,350)**	(139,326)
PROFIT FOR THE YEAR		**1,501,673**	1,416,701
Other Comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,501,673**	1,416,701

The independent auditor's report is set out on page 2-4.
The notes on pages 9 to 27 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 March'2021

	Notes	2021 AED	2020 AED
ASSETS			
Non-current assets			
Equipment	10	**574,989**	379,180
Right of use assets	20	**102,800**	305,115
Goodwill	11	**615,782**	615,782
Intangible assets	12	**434,365**	777,039
Deposits and other receivables	14	**132,205**	-
		1,860,141	2,077,116
Current assets			
Trade and other receivables	13	**17,208,373**	12,278,935
Contract assets	6	**945,211**	734,677
Due from related parties	19	**10,179,990**	4,897,685
Cash at bank	15	**3,279,416**	10,516,620
		31,612,990	28,427,917
TOTAL ASSETS		**33,473,131**	30,505,033
EQUITY AND LIABILITIES			
Equity			
Share Capital	16	**3,650,000**	3,650,000
Retained Earnings		**3,732,213**	2,230,541
Total Equity		**7,382,213**	5,880,541
Non-current liabilities			
Employees' end of service benefits	17	**612,771**	490,867
Contract liability	6	**915,586**	439,594
Lease liability	20	-	143,494
		1,528,357	1,073,955
Current liabilities			
Trade and other payables	18	**2,588,540**	2,768,518
Contract liability	6	**6,457,489**	7,883,830
Lease liability	20	**11,953**	103,702
Loans from related parties	21	**73,774**	1,162,838
Due to related parties	19	**15,430,805**	11,631,649
		24,562,561	23,550,537
Total liabilities		**26,090,918**	24,624,492
TOTAL EQUITY AND LIABILITIES		**33,473,131**	30,505,033

To the best of our knowledge, the financial statements fairly presents, in all material respects, the financial position, results of operation and cash flows of the Company as of, and for, the year ended 31 March 2021.The financial statements disclose related party transactions and balances which are disclosed in in note 15. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

These financial statements for the year ended 31 March 2021 (including comparatives) were approved on and were signed by:

02 AUG 2021

Sridharan S

Mr. Sundaram Sridharan
Director of HCL Technologies Middle East FZ- LLC

The independent auditor's report is set out on page 2-4.
The notes on pages 9 to 27 are an integral part of these financial statements.

HCL Technologies Middle East FZ LLC

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March

	Share Capital AED	Retained *earning* *AED*	*Total* *AED*
Balance at 1 April 2019	3,650,000	813,840	4,463,840
Total profit for the year	-	1,416,701	1,416,701
Balance at 31 March 2020	3,650,000	2,230,541	5,880,541
Total profit for the year	-	**1,501,673**	**1,501,673**
Balance at 31 March 2021	**3,650,000**	**3,732,213**	**7,382,213**

The notes on pages 9 to 27 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the Year ended 31 March

	Notes	**2021** **AED**	2020 AED
OPERATING ACTIVITIES			
Profit for the year		**1,501,673**	1,416,701
Adjustments for:			
Depreciation of equipment	10	**217,729**	101,996
Loss on sale of fixed assets		**-**	783
Depreciation on right of use assets	20	**202,315**	298,463
Amortization of intangible assets	12	**342,674**	294,979
Charge for employees end of service benefits	17	**215,688**	203,479
Finance cost on lease liability	20	**4,601**	16,869
Interest cost on IBM deferred consideration		**3,460**	10,380
Interest cost on loans from related parties	19	**12,836**	33,629
Cash from operations before working capital changes		**2,500,976**	2,377,279
Changes in:			
Inventories		**-**	7,170
Trade and other receivables		**(4,929,438)**	(428,335)
Deposit and other receivable		**(132,205)**	-
Contract assets		**(210,534)**	(734,677)
Due from related parties		**(5,282,306)**	(598,300)
Contract liability		**(950,349)**	8,323,424
Trade and other payables		**376,694**	(682,701)
Due to related parties		**3,799,156**	1,029,861
Cash flows (used in)/from operation		**(4,828,006)**	9,293,721
Employees' end of service benefits paid	17	**(93,784)**	(22,062)
Cash flows (used in)/from operating activities		**(4,921,790)**	9,271,659
INVESTING ACTIVITY			
Additions to equipment	10	**(413,538)**	(370,277)
Acquisition of business		**(560,132)**	(560,133)
Cash flows used in investing activity		**(973,670)**	(930,410)
FINANCING ACTIVITIES			
Payment of lease liabilities	20	**(239,844)**	(373,251)
Interest cost on loans from related parties	19	**(12,836)**	(33,629)
Movement in loans from related parties		**(1,089,064)**	42,853
Cash flows used in financing activity		**(1,341,744)**	(364,027)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(7,237,204)**	7,977,222
Cash and cash equivalents at beginning of the year		**10,516,620**	2,539,398
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**3,279,416**	10,516,620

1 REPORTING ENTITY

HCL Technologies Middle East FZ-LLC (the "Company") is a free zone limited liability company incorporated in Emirate of Dubai under provision of the Dubai Creative Clusters Private Companies Regulations 2016 and is subject to the laws, rules and regulations of the Dubai Creative Clusters Authority, Dubai, UAE replacing the existing Dubai Technology and Media Free Zone Private Companies Regulations 2003 issued under Law No. (1) of 2000.

The Company is a 100% owned subsidiary of HCL Bermuda Ltd (the "Parent Company"), a company incorporated in the Bermuda under Company Registration number EC 24219. The Parent Company is a subsidiary of HCL Technologies Limited (the "Ultimate Parent Company"), a listed company registered in India.

The principal activities of the Company are to provide IT, software and telecommunication network services. These financial statements comprise the operations carried out in the name of HCL Technologies Middle East FZ-LLC and its Branch, HCL Technologies Middle East FZ LLC Dubai Company ("the Company").

2 BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and applicable provision of Dubai Creative Clusters Private Companies Regulations 2016 and the Articles of Association of the Company.

The financial statements have been presented in United Arab Emirates Dirhams (AED), which is the functional and the presentation currency of the Company.

The financial statements are prepared under the historical cost convention.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations effective for annual period beginning on or after 1 April 2020

The Company applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 April 2020. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Standards issued but not yet effective
A number of new standards are effective for annual periods beginning after 1 April 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3.
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Company is in the business of providing IT, software and telecommunication network services. Revenue from sale of goods is recognized at the point in time when the control of the goods is transferred to the customer, generally on delivery of the goods. Revenue from services is recognized at the point in time when the services is provided to the customer.

Proprietary Software Products

Revenue from distinct proprietary perpetual license software is recognized at a point in time at the inception of the arrangement when control transfers to the client. Revenue from proprietary term license software is recognized at a point in time for the committed term of the contract. In case of renewals of proprietary term licenses with existing customers, revenue from term license is recognized at a point in time when the renewal is agreed on signing of contracts. Revenue from support and subscription (S&S) is recognized over the contract term on a straight line basis as the Company is providing a service of standing ready to provide support, when-and-if needed, and is providing unspecified software upgrades on a when-and-if available basis over the contract term. In case software are bundled with one year of support and subscription either for perpetual or term based license, such support and subscription contracts are generally priced as a percentage of the net fees paid by the customer to purchase the license and are generally recognized as revenues ratably over the contractual period that the support services are provided. Revenue from these proprietary software products is classified under sale of services.

Contracts involving provision of services and material

Revenue is recognized when, or as, control of a promised service or good transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. To recognize revenues, the following five step approach is applied:
(1) identify the contract with a customer,
(2) identify the performance obligations in the contract,
(3) determine the transaction price,
(4) allocate the transaction price to the performance obligations in the contract, and
(5) recognize revenues when a performance obligation is satisfied.

A contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Value-added Tax (VAT)
Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Equipment

Equipment is initially stated at cost less accumulated depreciation and any impairment in value.
Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

Computer and Laptop	4-5 years
Furniture and fixtures	5-7 years

Expenditure incurred to replace a component of an item of equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred. An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date. Acquisition related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as financial liability is measured at fair value with changes in fair value recognized in the statement of comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the excess is recognized as capital reserve after reassessing the fair values of the net assets.

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at their fair value at the date of acquisition. Subsequently, following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Gains or losses arising from de recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income and when the asset is derecognised.

The intangible assets are amortized over the estimated useful life of the assets as mentioned below except certain Licensed IPRs which include the right to modify, enhance or exploit are amortized in proportion to the expected benefits over the useful life which could range up to 10 years:

Software	3 years
Customer relationship	10 years

Customer related intangibles recognized on acquisition is amortized in the proportion of estimated revenue.

Impairment

(i) Financial assets

The Company recognizes an allowance for expected credit losses (ECLs) on financial assets measured at amortized cost.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment that includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

The Company considers a financial asset to be in default when:

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets (continued)

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 365 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and are deducted from the gross carrying amount of these assets.

Write off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(i) Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Non-financial assets (continued)

generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified; an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets
Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill(continued)

amount of the cash generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. Cost of spare parts and consumables is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make the sale. Damaged and obsolete inventories are written off.A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument at another entity.

Financial instruments-initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, contract assets and bank balances that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables or contract assets that do not contain a significant financing component or for which the

Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified as below:

Financial assets at amortized cost (debt instruments) – The Company subsequently measures financial assets at amortized cost using EIR method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified or impaired;

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement (continued)

The Company's financial assets at amortized cost includes cash at bank, trade and other receivables and due from related parties.

Derecognition

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

- The rights to receive cash flows from the asset have expired; or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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.

The Company's financial liabilities include trade and other payables, due to related parties and lease liabilities.

Subsequent measurement

Other financial liabilities are subsequently measured at amortized cost using effective interest method. Interest expense and foreign exchange gain and losses are recognized in the profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement (continued)

borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category applies to trade and other payables and due to related parties which are classified as loans and borrowings.

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

Trade and other payables and due to related parties

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(ii) Financial liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the separate statement of comprehensive income.

iii 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.

iv Fair value of financial instruments

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions.
- Reference to the current fair value of another instrument that is substantially the same.
- A discounted cash flow analysis or other valuation models.

Leases

A lease is a contract that contains right to control the use of an identified asset for a period of time in exchange for consideration.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Company as a lessee

Company is lessee in case of office space. These leases are evaluated to determine whether it contains lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in IFRS 16.

All leases with a term of more than 12 months are recognized as right-of-use assets along with associated lease liabilities, in the balance sheet.

Right-of-use asset represents the Company's right to control the underlying assets under lease and the lease liability is the obligation to make the lease payments related to the underlying asset under lease. Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less. Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of lease liability.

The lease liability is measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the Company's incremental borrowing rate, which approximates the rate at which the Company would borrow, in the country where the lease was executed. The Company has used a single discount rate for a portfolio of leases with reasonably similar

characteristics. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the Company is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease. Lease liability is subsequently measured by increase the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

The Company has elected to not recognize leases with a lease term of 12 months or less in the balance sheet, including those acquired in a business combination, and lease costs for those short-term leases are recognized on a straight line basis over the lease term in the statement of comprehensive income. For all asset classes, the Company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Foreign currency translation

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying Branch's accounting policies, which are described in the notes, management has made certain judgments as mentioned below.

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimating 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, is discussed below.

Impairment loss for trade receivables

Measurement of ECL allowance for trade receivables

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including various formulas and choice of inputs
- The segmentation of financial assets when their ECL is assessed on a collective basis; and

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment loss for trade receivables (continued)

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. The Branch's policy is to regularly review its models in the context of actual loss experience and adjust when necessary.

Useful lives of intangible assets with finite lives

The Branch's management determines the estimated useful lives of its intangible assets for calculating amortization. This estimate is determined after considering the expected usage of intangible assets. Management reviews the residual value and useful lives annually and future amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

6 REVENUE

Set out below is the disaggregation of the Company revenue from contracts with customers

	2021 AED	2020 AED
Revenue		
Sale of Goods	**436,834**	320,439
Service income	**43,548,760**	29,994,961
	43,985,594	30,315,400
Geographical market		
United Arab Emirates	**30,502,274**	22,733,143
United States of America	**2,371,644**	1,275,852
Other regions	**11,111,676**	6,306,405
Total	**43,985,594**	30,315,400
Timing of revenue recognition		
Goods transferred at a point in time	**436,834**	320,439
Service provided over time	**43,548,760**	29,994,961
	43,985,594	30,315,400

Contract liabilities

Particulars	2021 AED	2020 AED
At 31st March -:Current	**6,457,489**	7,883,830
Non Current	**915,586**	439,594

Contract liablities : A contract liability arises when there is excess billing over the revenue recognised.

Contract assets

Particulars	2021 AED	2020 AED
At 31st March -:Current	**945,211**	734,677

Contract assets : A contract asset is a right to consideration that is conditional upon factors other than the passage of time.
Contract assets are recognized where there is excess of revenue over the billings. Revenue recognized but not billed to customers is classified as contract assets in balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivable represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

7 SUMMARY OF EXPENSES

Expenses charged in profit or loss includes the following:

	2021 AED	2020 AED
Consultant Costs	**23,605,653**	11,272,042
Employee cost:		
Cost of Revenue	**9,578,621**	9,022,716
General and administration expenses	**1,474,895**	3,082,563
	11,053,516	12,105,279
Inventories recognised in cost of revenue	**514,185**	246,600
Rental - operating leases	**286,900**	229
Depreciation (Note 8)	**217,729**	101,996
Amortisation (Note 10)	**342,674**	294,979

8. Cost of revenue

	2021 AED	2020 AED
Salary and wages	**3,534,425**	3,233,993
Other allowance	**3,896,897**	4,070,431
Consulting charges	**23,705,653**	11,272,042
Other outsourced services	**3,029,925**	25,484
Other direct cost	**5,021,477**	4,134,717
	39,188,377	22,736,667

9.General and administration expenses

	2021	2020
	AED	AED
Visa claims	**395,774**	115,988
Exchange diference	**232,405**	21,375
Salary and wages	**621,379**	1,327,214
House rent allowance	**379,800**	685,280
Other expensse	**890,204**	3,418,828
	2,519,562	5,568,685

10.Equipment

	Equipment
Cost:	***AED***
At 1 April 2020	**594,949**
Additions	**413,538**
Disposal	**-**
At 31 March 2021	**1,008,487**
Depreciation:	
At 1 April 2020	**215,769**
Additions	**217,729**
Disposal	**-**
At 31 March 2021	**433,498**
Net book Value	
At 31 March 2021	**574,989**
Cost:	
At 1 April 2019	232,572
Additions	370,277
Disposal	(7,900)
At 31 March 2020	594,949
Depreciation:	
At 1 April 2019	120,890
Additions	101,996
Disposal	(7,117)
At 31 March 2020	215,769
Net book Value:	
At 31 March 2020	379,180

11 GOODWILL

The resultant goodwill is considered non tax deductible and has been allocated to the CGU of the Company. This goodwill is attributable mainly to Company's ability to upgrade the products and enhance the sale of products to customers in existing business of the Company and targeting new customers.

The table below shows the values and lives of intangible assets recognized on acquisition:

Asset description	Amount (AED)	Life (Years)	Basis of amortization
Customer relationships	490,643	10	In proportion of estimated revenue
Goodwill	615,782		

Impairment testing for cash generating units ("CGU") containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Company's operating divisions which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes.

The recoverable amount of the unit was based on its value in use, determined by discounting the future cash flows that generated from the business acquired. Value in use was computed based on the following key assumptions:

i) Cash flows were projected based on the financial year ended 31 March 2021 actual operating results and the Company's 5-years business plan, with average net margin applied of 6% per annum for the years 2022 to 2026.
ii) The terminal value was estimated using the perpetuity growth model, with a weighted average growth rate to perpetuity of 1%.
iii) A discount rate of 4.04% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry average weighted average cost of capital.

12 INTANGIBLES ASSETS

	Customer relationship AED	Software AED	Total AED
Cost			
At 1 April 2020	**490,643**	***773,016***	**1,263,659**
Additions	**-**	**-**	**-**
At 31 March 2021	**490,643**	**773,016**	**1,263,659**
Amortisation:			
At 1 April 2020	**37,307**	***449,313***	**486,620**
Additions	**85,002**	***257,672***	**342,674**
At 31 March 2021	**122,309**	**706,985**	**829,294**
Net carrying amount:			
At 31 March 2021	**368,334**	**66,031**	**434,365**
Cost:			
At 1 April 2019	-	773,016	773,016
Additions	490,643	-	490,643
At 31 March 2020	490,643	773,016	1,263,659
Amortisation:			
At 1 April 2019	-	191,641	191,641
Additions	37,307	257,672	294,979
At 31 March 2020	37,307	449,313	486,620
Net book Value:			
At 31 March 2020	453,336	323,703	777,039

13 TRADE AND OTHER RECEIVABLES

	2021 AED	2020 AED
Trade receivables, gross	**16,786,542**	12,705,230
Less: impairment	**(263,143)**	(931,776)
Trade receivables, net	**16,523,399**	11,773,454
Staff receivables	**55,693**	242,694
Prepayments	**425,709**	261,681
Deposits and other receivables	**203,572**	1,106
	17,208,373	12,278,935

Movement in provision for expected credit losses is as follows:

	2021 AED	2020 AED
At the beginning of the year	**931,776**	477,755
Charge for expected credit losses for the year	**(668,632)**	454,021
At the end of the year	**263,144**	931,776

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms, see note on credit exposure disclosed in Note 21.

14 Deposits and other receivables

	2021 AED	2020 AED
Non current	**132,205**	-
	132,205	-

15 Cash at bank

	2021 AED	2020 AED
Cash at bank	**3,279,416**	10,516,620
	3,279,416	10,516,620

16 SHARE CAPITAL

	2021 AED	2020 AED
Authorised, issued and fully paid: 3,650 shares (2019: 3,650 shares) of AED 1000 each	**3,650,000**	3,650,000

17 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognized in the statement of financial position are as follows:

	2021 AED	2020 AED
Provision as at 1 April	**490,867**	309,450
Charge for the year	**215,688**	203,479
Payments	**(93,784)**	(22,062)
Provision as at 31 March	**612,771**	490,867

18 TRADE AND OTHER PAYABLES

	2021 AED	*2020* AED
Trade payables	**179,561**	3,242
Employee payables	**1,179,569**	1,176,412
Accrued expenses	**671,966**	475,259
Deferred consideration for IBM acquisition	-	556,673
Other payables	**557,444**	556,932
	2,588,540	2,768,518

Terms and conditions of the above financial liabilities:

a) Trade payables are non interest bearing and are normally settled on 60 day terms.
b) Other payables are non interest bearing and have an average term of two to three months.

For explanations on the Company's liquidity management process, refer to note 21.

19 RELATED PARTY TRANSACTIONS

The Group, in the normal course of business carries out transactions with business enterprises that fall within the definition of related party contained in International Accounting Standard 24. Significant transactions with related parties are as under:

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

	2021 AED	*2020* AED
Ultimate Parent Company		
Consulting Charges and other expenses	**17,889,885**	5,748,568
Service Income	**598,405**	227,296
	18,488,290	*5,975,864*

	2021 AED	*2020* AED
Parent Company and other related parties		
Consulting Charges and other expenses	**5,715,768**	5,596,669
Finance Cost	**12,836**	33,629
	5,728,604	*5,630,298*
Service Income	***5,162,842***	*4,665,734*

19 RELATED PARTY TRANSACTIONS (continued)

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

	2021		2020	
	Due from related parties AED	**Due to related parties AED**	Due from related parties AED	Due to related parties AED
Ultimate Parent Company				
HCL Technologies Limited	**5,888,565**	**11,439,055**	945,512	10,587,403
Other related parties				
HCL Technologies Italy S.p.A.	-	-	-	143,903
HCL Technologies Limited - UAE Branch	-	-	233,282	690,842
HCL (Brazil) Tecnologia da informacao Ltda.	**16,728**	**10,581**	105,075	-
HCL Technologies Limited – Abu Dhabi Branch	**1,976,935**	**1,217,625**	2,027,363	106,076
HCL Technologies Corporate Services Limited	**218,961**	-	292,434	-
Filial Española De Hcl Technologies, S.L.	**158,900**	-	94,735	-
HCL Technologies Chile SpA	**62,332**	-	50,468	-
HCL Saudi Arabia LLC	**225,399**	-	510,765	-
HCL Axon Solutions (Shanghai) Co. Limited	**389,809**	**135,484**	389,816	-
HCL Istanbul Bilişim Teknolojileri Limited Şirketi	**67,284**	-	32,265	-
HCL Technologies UK Limited	**18,740**	-	35,550	16,172
HCL Technologies S.A.	-	-	-	
HCL America Inc.	-	**954,626**	-	-
HCL Great Britain Limited	-	**122,342**	-	23,886
HCL Sweden AB	-	**9,822**	37,150	-
HCL Technologies Mexico S De Rl De Cv	**56,183**	**5,001**	-	-
HCL Technologies Germany GmbH	**417,208**	-	-	-
HCL Technologies Limited- UAE Branch	**214,431**	**745,455**	-	-
HCL Technologies Norway AS	-	**560,790**	-	-
HCL Axon Solutions (Shanghai) Co., Ltd Tianjin Branch	-	**89,358**	-	-
HCL (New Zealand) Limited	**109,854**	-	-	-
Others	**358,661**	**140,666**	143,270	63,367
At 31 March	**10,179,990**	**15,430,805**	4,897,685	11,631,649

Outstanding balances at the year-end arise in the normal course of business, these are unsecured, interest free and settlement occurs in cash.

c) Loans from related parties

The company has obtained loan from its Parent Company and related parties of AED 73,774 (2020:1,162,838) and AED Nil (2019: Nil), respectively for its operations. The loan carry interest at 100 basis points, are unsecured and repayable on demand.

d) Compensation of key managerial personnel:

The key management functions are performed by related parties and no costs are recharged to company for these services.

20 LEASES

The Company's leasing arrangements are in respect of leases for office spaces only. The Company doesn't foresee any major changes in lease terms or the leases in the foreseeable future as per current business projections after considering the impact of COVID - 19.

The details of the right-of-use asset held by the entity is as follows:

	2021	2020
	AED	*AED*
Office Building		
At 1 April	**305,115**	603,578
Transition Impact of IFRS 16	-	-
Additions	-	-
Charge for the year and 31 March	**(202,315)**	(298,463)
At 31 March	**102,800**	305,115

The reconciliation of lease liabilities is as follows:

	2021	2020
	AED	*AED*
At 1 April	**247,196**	603,578
Transition Impact of IFRS 16	-	0
Additions	-	-
Finance cost on lease liability	**4,601**	16,869
Payment of lease liability	**(239,844)**	(373,251)
At 31 March	**11,953**	247,196

20 LEASES (continued)

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31 March:

	2021
Particulars	***AED***
Not later than one year	**11,953**
Between one and three years	-
Total Lease Payments	**11,953**

The following table presents the bifurcation of lease liability into current and non-current:

Current liability	**11,953**
Non-Current liability	-
	11,953

	2020
Particulars	***AED***
Not later than one year	**108,303**
Between one and three years	**143,715**
Total Lease Payments	**252,018**

The following table presents the bifurcation of lease liability into current and non-current:

Current liability	**103,702**
Non-Current liability	**143,494**
	247,196

21 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk
- Interest risk

Risk management framework

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers, due from related parties and cash at bank.

The carrying amount of financial assets represents the maximum credit exposure. The impairment loss on financial assets recognised in profit and loss were as follows:

	2021	*2020*
	AED	*AED*
Opening balance	***454,022***	*236,710*
Addition/(written off) during the year	***(1,122,654)***	*217,312*
Closing balance	***(668,632)***	*454,022*

The maximum exposure to credit risk at the reporting date was:

	2021	*2020*
	AED	*AED*
Trade and other receivables (excluding prepayments)	**16,782,664**	12,017,254
Cash at bank	**3,279,416**	10,516,620
Due from related parties	**10,179,990**	4,897,685
	30,242,070	27,431,559

Trade receivables:

At 31 March, the Company's exposure of credit risk to trade receivables by geographical region was as follows:

	Carrying amount	**Carrying amount**
	2021	***2020***
	AED	***AED***
United Arab Emirates	**12,485,512**	**8,468,415**
United States of America	**1,230,177**	**2,029,127**
Other regions	**5,579,956**	**2,207,688**
Total	**19,295,645**	**12,705,230**

2021

	Current	**31-60 days**	**61-90 days**	**91-120 days**	**121-365 days**	**>365 days**	**Total**
	AED	**AED**	**AED**	**AED**	**AED**	**AED**	**AED**
Expected credit loss rate	-	-	-	-	**25%**	**94%**	**2%**
Estimated total gross carrying amount	**11,895,452**	**1,588,347**	**396,435**	**2,479,899**	**201,631**	**224,778**	**16,786,542**
Estimated credit loss	-	-	-	-	**51,127**	**212,016**	**263,143**

2020

	Current	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
	AED	AED	AED	AED	AED	AED	AED
Expected credit loss rate	-	-	-	-	-	97%	7%
Estimated total gross carrying amount	4,098,977	2,589,098	1,909,655	2,813,681	328,698	965,122	12,705,231
Estimated credit loss	-	-	-	-	-	931,776	931,776

Impairment losses

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - geographic region, age of customer relationship and type of product purchased.

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Cash and cash equivalents:

The Company held cash and cash equivalents of AED 3,279,416 at 31 March 2021 (2020: AED 10,516,620) with financial institutions. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Due from related parties:

The Company trade with its related companies. The Company monitor the results of these entities regularly. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. As at the end of the reporting year, there were no indications that the balances owing from these related companies are not recoverable as the Company considers the related corporations have low credit risk, hence it is not provided for.

21 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company maintains adequate reserves, by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities. Financial liabilities comprise trade and other payables and due to related parties.

The following are the contractual maturities of financial liabilities including interest payment and excluding impact of netting

2021

	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	More than 1 year AED
Trade and other payables	2,588,540	2,588,540	2,588,540	-
Lease liability	11,953	11,953	11,953	-
Due to related parties	15,430,805	15,430,805	15,430,805	-
Loans from related parties	73,774	73,774	73,774	-
	18,105,072	**18,105,072**	**18,105,072**	-

2020

	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	More than 1 year AED
Trade and other payables	2,768,518	2,768,518	2,768,518	-
Lease liability	247,196	252,018	108,303	143,715
Due to related parties	11,631,649	11,631,649	11,631,649	-
Loan from related parties	1,162,838	1,162,838	1,162,838	-
	15,810,201	15,815,023	15,671,308	143,715

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk:

The company is not exposed to significant currency risk as almost all the transactions and balances are denominated in USD or AED. AED is currently pegged to USD.

Interest rate risk

The company is exposed to interest rate risk on its interest bearing liability (loans from related parties).

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the Company's loss for one year, based on the floating rate financial liability held at 31 March.

The following table demonstrates the sensitivity of the statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant. There is no impact on the Company's equity.

	Increase/(decrease) in	Effect on profit/(loss) AED
2021	**50**	**(369)**
	(50)	**369**
2020	50	**(5,814)**
	(50)	**5,814**

Capital management

The primary objective of the company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize value to the shareholder.

The company manages its capital structure and makes adjustments to it, in light of changes in business conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares. Capital comprises share capital and retained earning,and is measured at equity of AED 7,382,213 (2020: AED 5,880,541) as at 31 March 2021.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

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

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values largely due to the short-term maturities of these instruments.

23 IMPACT OF COVID-19

Business outlook for 2021 could be affected by risks and uncertainties caused by a multitude of factors, some of which will be beyond the Company's control.

In this context the Company highlights the health emergency due to the recent spread of the COVID-19 virus, which was declared a pandemic by the World Health Organization during the year ended 31 March 2021. To contain the adverse implications for humanity and businesses, governments around the world, including the United Arab Emirates, have in response to this outbreak announced various support measures and imposed to varying degrees restrictions on the movement of people and goods. Whilst the restriction of people and goods will adversely impact some businesses, at present the extent of those future impacts is unclear as they will be determined by various factors, including the success of the support measures introduced by governments, businesses' ability to manage their operations during these times and the timing and manner of the easing of the restrictions.

The Company has performed its assessment of the COVID-19 impact and concluded that there are no significant changes in its financial position and performance as at and for the period ended 31 March 2021.

The effects of Covid-19 on humanity and businesses continues to evolve, hence there are significant risks and uncertainties associated with its future impact on businesses, though the Company continues to update its plans to seek to respond to them.