

BLS INTERNATIONAL FZE
Sharjah - United Arab Emirates

Financial Statements and
Independent Auditors' Report
For the year ended March 31, 2020

**BLS International FZE
Sharjah - United Arab Emirates**

**Financial Statements and Independent Auditors' Report
For the year ended March 31, 2020**

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Independent Auditors' Report

To

**The Shareholder of BLS International FZE
Sharjah - United Arab Emirates**

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of **BLS International FZE** (the Establishment), which comprise the statement of financial position as at March 31, 2020, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Establishment as at March 31, 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

We refer to Note 7 & 8 to the financial statements; the Establishment has not accounted the impairment losses on its investment in subsidiaries and associates as required by IAS 36, 'Impairment of Assets' of International Financial Reporting Standards (IFRS). We were unable to quantify the impact of this on these financial statements due to the unavailability of sufficient information.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Establishment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

These financial statements represent the separate financial statements of the Establishment as per International Accounting Standard 27, 'Separate Financial Statements', and its investment in subsidiaries as mentioned in Note 7 to the financial statements are valued at cost less impairment.

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Independent Auditors' Report (continued)

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and the applicable provisions of implementing regulations related to Hamriyah Free Zone, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Establishment's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Establishment's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Establishment's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Establishment to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Further, we report that:

- (i) We have obtained all the information we considered necessary for forming our audit opinion.
- (ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of implementing regulations related to Hamriyah Free Zone.
- (iii) The Establishment maintained proper books of accounts.
- (iv) Based on the information that has been made available to us, except for the matters mentioned in the Basis for Qualified Opinion and in the Emphasis of Matter sections above, nothing has come to our attention which causes us to believe that the Establishment has contravened, during the financial year ended March 31, 2019, any of the applicable provisions of implementing regulations related to Hamriyah Free Zone, which would materially affect its activities or its financial position as at March 31, 2019.

Dubai
June 19, 2020



For HLB HAMT
Chartered Accountants
Signed by Vijay Anand
Partner
[Reg. No. 654]

Ref: HAMT/BSH/2020/894

BLS International FZE
Sharjah - United Arab Emirates

Statement of Financial Position
As at March 31, 2020
(In Arab Emirates Dirhams)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Assets			
Non-current assets			
Property, plant and equipment	5	323,439	481,137
Intangible assets	6	4,677,881	3,505,335
Investments in subsidiaries	7	836,903	784,925
Investments in associates	8	<u>13,607,933</u>	<u>13,606,198</u>
Total non-current assets		<u>19,446,156</u>	<u>18,377,595</u>
Current assets			
Accounts and other receivables	10	60,750,653	54,973,122
Other financial assets	11	36,953,555	33,987,917
Cash and cash equivalents	12	<u>1,885,688</u>	<u>9,404,088</u>
Total current assets		<u>99,589,896</u>	<u>98,365,127</u>
Total Assets		<u>119,036,052</u>	<u>116,742,722</u>
Equity and Liabilities			
Equity			
Share capital	1	25,000	25,000
Retained earnings		<u>55,587,244</u>	<u>47,105,721</u>
Total Equity		<u>55,612,244</u>	<u>47,130,721</u>
Current liabilities			
Accounts and other payables	13	<u>63,423,808</u>	<u>69,612,001</u>
Total current liabilities		<u>63,423,808</u>	<u>69,612,001</u>
Total Liabilities		<u>63,423,808</u>	<u>69,612,001</u>
Total Equity and Liabilities		<u>119,036,052</u>	<u>116,742,722</u>

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

The financial statements on pages 4 - 41 were approved by the management on June 19, 2020 and signed on its behalf by:



Chief Financial Officer




Director

BLS International FZE
Sharjah - United Arab Emirates

Statement of Comprehensive Income
For the year ended March 31, 2020
(In Arab Emirates Dirhams)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Revenue	14	62,020,800	60,175,973
Direct expenses	15	(37,234,950)	(30,452,278)
Other income	16	558,761	-
General and administrative expenses	17	(7,279,092)	(9,483,515)
Depreciation and amortization	18	(2,143,502)	(1,760,403)
Withholding tax deducted		<u>(269,792)</u>	<u>(1,345,359)</u>
Profit/(loss) from operations		15,652,225	17,134,418
Finance income	19	918,825	688,645
Finance cost	20	<u>(22,811)</u>	<u>(24,981)</u>
Profit/(loss) for the year		<u>16,548,239</u>	<u>17,798,082</u>
Other comprehensive income/(loss) for the year		-	-
Total comprehensive income/(loss) for the year		<u>16,548,239</u>	<u>17,798,082</u>

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

BLS International FZE
Sharjah - United Arab Emirates

Statement of Changes in Equity
For the year ended March 31, 2020
(In Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at March 31, 2018	25,000	32,073,785	32,098,785
Total comprehensive income/(loss) for the year	-	17,798,082	17,798,082
Dividend paid	-	<u>(2,766,146)</u>	<u>(2,766,146)</u>
Balance as at March 31, 2019	25,000	47,105,721	47,130,721
Total comprehensive income/(loss) for the year	-	16,548,239	16,548,239
Dividend paid	-	<u>(8,066,716)</u>	<u>(8,066,716)</u>
Balance as at March 31, 2020	<u>25,000</u>	<u>55,587,244</u>	<u>55,612,244</u>

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

BLS International FZE
Sharjah - United Arab Emirates

Statement of Cash Flows
For the year ended March 31, 2020
(In Arab Emirates Dirhams)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities			
Profit/(loss) for the year		16,548,239	17,798,082
Adjustments for:			
Depreciation and amortization	18	2,143,502	1,760,403
Related party balance written off	17	1,102,227	-
Loss allowance on receivables	17	1,117,523	2,831,198
Finance income	19	(918,825)	(688,645)
Finance cost	20	<u>22,811</u>	<u>24,981</u>
Operating cash flows before changes in working capital		20,015,477	21,726,019
Working capital changes:			
Accounts and other receivables	10	(7,997,281)	(28,915,522)
Accounts and other payables	13	<u>(6,188,193)</u>	<u>8,796,017</u>
Net cash generated from/(used in) operating activities		<u>5,830,003</u>	<u>1,606,514</u>
Cash flows from investing activities			
Movements in other financial assets	11	(2,965,638)	(18,631,042)
Additions to intangible assets	6	(3,158,350)	(2,216,561)
Movements in investment in subsidiaries	7	(51,978)	(50,988)
Movements in investment in associates	8	(1,735)	-
Finance income	19	<u>918,825</u>	<u>688,645</u>
Net cash generated from/(used in) investing activities		<u>(5,258,876)</u>	<u>(20,209,946)</u>
Cash flows from financing activities			
Dividend paid		(8,066,716)	(2,766,146)
Finance cost	20	<u>(22,811)</u>	<u>(24,981)</u>
Net cash generated from/(used in) financing activities		<u>(8,089,527)</u>	<u>(2,791,127)</u>
Net (decrease)/increase in cash and cash equivalents		(7,518,400)	(21,394,559)
Cash and cash equivalents at the beginning of the year		<u>9,404,088</u>	<u>30,798,647</u>
Cash and cash equivalents at the end of the year	12	<u>1,885,688</u>	<u>9,404,088</u>

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

BLS International FZE
Sharjah - United Arab Emirates

Notes to the Financial Statements
For the year ended March 31, 2020

1. Establishment and operations

BLS International FZE (the Establishment) was registered with the Hamriyah Free Zone Authority, Sharjah - United Arab Emirates, as a Free Zone Establishment, under License No.8283, on September 07, 2011.

The share capital of the Establishment is AED 25,000/- divided into one share of AED 25,000/- held in the name of BLS International Services Limited, India.

The address of the registered office of the Establishment is ELOB office No. E2-123F-45, P.O Box 52101, Hamriyah Free Zone, Sharjah - United Arab Emirates.

The principal activity of the Establishment is undertaking management consultancy services.

These financial statements are the separate financial statements of the Establishment, in which investment in subsidiaries are accounted at cost less impairment losses, if any. Therefore, the financial statements reflect the operating results and the financial position of the Establishment only, and do not include the operating results and financial position of the subsidiaries.

2. Adoption of new and revised International Financial Reporting Standards and Interpretations

2.1. Standards and interpretations effective in the current year

The Establishment has adopted the following new and amended IFRS in these financial statements:

	<u>Effective for annual periods beginning</u>
IFRS 16 Leases	January 01, 2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial liabilities.	January 01, 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures.	January 01, 2019
Annual Improvements to IFRSs 2015-2017 Cycle	January 01, 2019
Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement	January 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

IFRS 16 Leases

The Establishment applied IFRS 16 for the first time. The nature and effect of the changes as a result of the adoption of this new standard are described below;

IFRS 16 leases were issued on January 2016, and it replaces IAS 17 'Leases', IFRIC 4 'Determining the arrangement contains a lease', SIC-15 'Operating leases-incentives and SIC-27 'Evaluating the substance of transactions involving the legal form of lease'.

2. Adoption of new and revised International Financial Reporting Standards and Interpretations (continued)

2.1. Standards and interpretations effective in the current year (continued)

IFRS 16 Leases (continued)

IFRS 16 is effective for annual periods commencing on or after January 01, 2019. It is stipulated that all leases and the associated contractual rights and obligations should generally be recognised in the Establishment's financial position unless the term is 12 months or less or the lease for a low-value asset.

Thus, the classification required under IAS 17 'Leases' into operating or finance leases is eliminated for lessees. For each lease, the lessee recognises a liability for future lease obligations. Correspondingly, a right to use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortised over the useful life.

The Establishment has adopted IFRS 16 using the modified retrospective transition approach as of April 01, 2019, and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Impact on Lessee Accounting

Former operating leases:

IFRS 16 changes how the Establishment accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Establishment:

- recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
- recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

2. Adoption of new and revised International Financial Reporting Standards and Interpretations (continued)

2.1. Standards and interpretations effective in the current year (continued)

Impact on Lessee Accounting (continued)

For short term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Establishment has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the statement of profit or loss.

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Establishment recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Establishment's financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, regarding how a lessor manages the risks arising from its residual interest in the leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). The Establishment has no lessor contracts and subleasing arrangements and has no impact with this provision.

The application of IFRS 16 from the annual period beginning April 01, 2019 does not have an impact on the Establishment's financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial liabilities

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after January 01, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

These amendments do not have any impact on the financial statements.

2. Adoption of new and revised International Financial Reporting Standards and Interpretations (continued)

2.1. Standards and interpretations effective in the current year (continued)

Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures

These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

These amendments do not have any impact on the financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

The Annual Improvements include amendments to four standards.

(i) IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

(ii) IAS 23 Borrowing costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

(iii) IFRS 3 Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

(iv) IFRS 11 Joint Arrangements

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.

These amendments do not have any impact on the financial statements.

2. Adoption of new and revised International Financial Reporting Standards and Interpretations (continued)

2.1. Standards and interpretations effective in the current year (continued)

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended.

These amendments do not have any impact on the financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

These amendments do not have any impact on the financial statements.

2.2. New and revised IFRS in issue but not effective and not early adopted

The following standards, amendments thereto and interpretations have been issued prior to March 31, 2020 but have not been applied in these financial statements as their effective dates of adoption are for future periods. The impact of the adoption of the below standards is currently being assessed by the management. It is anticipated that their adoption in the relevant accounting periods will impact only the disclosures within the financial statements.

	<u>Effective for annual periods beginning</u>
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendment to IFRS 3 Business Combinations relating to definition of a business	January 01, 2020

2. Adoption of new and revised International Financial Reporting Standards and Interpretations (continued)

2.2. New and revised IFRS in issue but not effective and not early adopted (continued)

	<u>Effective for annual periods beginning</u>
Amendments to IAS 1 and IAS 8 relating to definition of material	January 01, 2020
IFRS 17 Insurance Contracts	January 01, 2022
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Indefinitely deferred

3. Basis of presentation and significant accounting policies

3.1. Statement of compliance

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the applicable provisions of implementing regulations related to Hamriyah Free Zone, except for IAS 36, 'Impairment of Assets'.

3.2. Basis of measurement

These financial statements have been prepared under the historical cost basis.

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 Establishment takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

3.3. Functional and presentation currency

These financial statements are prepared and the items included in the financial statements are measured using the currency of the primary economic environment in which the Establishment operates ('the functional currency'). These financial statements are presented in Arab Emirates Dirhams (AED), which is the Establishment's functional and presentation currency.

3.4. Revenue recognition

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

3. Basis of presentation and significant accounting policies (continued)

3.4. Revenue recognition (continued)

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

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

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

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

Step 5: Recognize revenue as and when the entity satisfies a performance obligation.

The Establishment recognizes revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Establishment's performance as the Establishment performs; or
- The Establishment's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Establishment's performance does not create an asset with an alternative use to the Establishment and the entity has an enforceable right to payment for performance obligation completed to date.

The Establishment allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Establishment's efforts or inputs to the satisfaction of the performance obligations. The Establishment estimates the costs to complete the projects in order to determine the amount of revenue to be recognized.

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

3. Basis of presentation and significant accounting policies (continued)

3.4. Revenue recognition (continued)

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Establishment assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

3.4.1. Revenue from services

The Establishment is providing management consultancy services and revenue against such services is recognized at a point in time upon completion and satisfies the performance obligation in line with the terms of contract with customer.

3.5. Finance income

Interest income is accrued on a time basis, based on the principal outstanding and at the effective interest rate applicable.

3.6. Direct expenses

Direct expenses include direct operating expenses incurred in generating revenue. Expenses that are not immediately attributable to the generating of revenue are not included in the gross profit as reported. Direct expenses are recognized over the term that the associated revenue is recognized.

3.7. Investment in subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the Parent).

The results and assets and liabilities of the subsidiaries are not incorporated in these separate financial statements and the Establishment's investment in subsidiaries is accounted under cost less impairment.

3.8. Investment in associates

Associates are all entities over which the Establishment has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the cost model of accounting. Under the cost method, investment in associates is carried in the statement of financial position at cost less impairment.

At each reporting date, the Establishment determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Establishment calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the statement of comprehensive income.

Dividends or other direct payments received from associates are recognized as income from financing and investing activities and presented in the statement of comprehensive income.

3. Basis of presentation and significant accounting policies (continued)

3.9. Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, 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. 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 recognized in the statement of comprehensive income when the asset is de-recognized.

3.9.1. Software

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over their estimated useful lives which are normally a period of 3 - 6 years.

3.10. Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and any identified impairment loss.

Property, plant and equipment are depreciated using straight-line method over the expected useful lives of the assets as under:

Leasehold improvements	4 years
Office equipment	6 years

3. Basis of presentation and significant accounting policies (continued)

3.10. Property, plant and equipment (continued)

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 asset's 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, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

3.11. Borrowing costs

Borrowing costs related to the acquisition, construction and production of the qualifying assets are treated as part of the cost of the relevant assets. Qualifying assets are those assets that take a substantial period to get ready for their intended use. The borrowing costs eligible for capitalization are the actual borrowing costs incurred on the borrowing during the year less any investment income on the temporary investment of those borrowings.

The borrowing costs eligible for capitalization are determined by applying capitalization rate to the expenditures on the qualifying assets.

The capitalization rate is the weighted average of the borrowing applicable to the borrowings of the Establishment that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining the qualifying assets.

Capitalization of borrowing costs commence when:

- Expenditures for the qualifying assets being incurred.
- Borrowing costs are being incurred, and
- Activities that are necessary to prepare the qualifying assets for their intended use or sale are in progress.

Capitalization of borrowing costs ceases when substantially all activities necessary to prepare the qualifying assets for their intended use or sale are complete.

All other borrowing costs are expensed in the period in which they occur.

3. Basis of presentation and significant accounting policies (continued)

3.12. Impairment of non-financial assets

At the end of each reporting period, the Establishment reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Establishment estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Establishment estimates the asset's or cash generating unit's recoverable amount. A previously recognized 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 recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized 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.

3. Basis of presentation and significant accounting policies (continued)

3.13. Foreign currencies

3.13.1. Transactions and balances

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 a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

3.14. Finance cost

Finance cost is recognized as an expense in the period in which it is incurred.

3.15. Leases

At the inception of a contract, the Establishment assesses whether the contract is, or contains a lease. A contract is or contains a lease if the contracts convey the right to control the use of an identified asset for the Establishment for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Establishment assess whether:

- The contract involves the use of an identified asset -this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Establishment has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Establishment has the right to direct the use of the asset. The Establishment has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Establishment has the right to direct the use of the asset if either:
 - The Establishment has the right to operate the asset; or
 - The Establishment designed the asset in a way that predetermines how and for what purpose it will be used.

3. Basis of presentation and significant accounting policies (continued)

3.15. Leases (continued)

At inception or on a reassessment of a contract that contains a lease component, the Establishment allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

However, where the contract is not separable into a lease and non-lease component then the Establishment has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Establishment determines the lease term as the non – cancellable period of a lease, together with both:

- a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Establishment considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Establishment revises the lease term if there is a change in the non-cancellable period of a lease.

3.15.1. Right-of-use assets

The Establishment recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

The cost of right-to-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located and lease payments made at or before the commencement date less any lease incentives received unless the Establishment is reasonably certain to obtain ownership of the leased asset at the end of the lease term.

The recognised right-to-use assets are subsequently depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Also, the right-of-use assets are periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

3. Basis of presentation and significant accounting policies (continued)

3.15. Leases (continued)

3.15.2. Short-term leases and leases of low-value assets

The Establishment applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (those leases that have a lease term of 12 months or less and do not contain a purchase option). It also applies the lease of low-value assets exemption to leases that are considered of low value. Lease payments on short-term leases and lease of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.15.3. Lease liability

The lease liability is initially recognised at the present value of the lease payments that are not paid in the commencement date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Establishment used its incremental borrowing rate.

After initial recognition, the lease liability is measured by:

- a) Increasing the carrying amount to reflect interest on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where,

- a) There is a change in the lease term as a result of reassessment of certainty to exercise an exercise option, or not to exercise a termination option as discussed above; or
- b) There is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the contract of a purchase option, the Establishment remeasures the lease liability to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Establishment determined the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined.
- c) There is a change in the amounts expected to be payable under a residual value guarantee; or
- d) There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review. The Establishment remeasures the lease liabilities by discounting the revised lease payments using an unchanged discount rate unless the change in lease payments results from a change in floating interest rates. In such case, the Establishment use a revised discount rate that reflects a change in the interest rate.

3. Basis of presentation and significant accounting policies (continued)

3.15. Leases (continued)

3.15.3. Lease liability (continued)

The Establishment recognises the amount of the re-measurements of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero, and there is a further deduction in the measurement of the lease liability, the Establishment recognises any remaining amount of the re-measurement in profit or loss.

The Establishment accounts for a lease modification as a separate lease if both:

- a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) The consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the context.

For lease modifications that are not accounted for as a separate lease, the Establishment, at the effective date of the lease modification:

- a) Allocates the consideration in the modified contract;
- b) Determines the lease term of the modified lease; and
- c) Remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective rate of the modification, if the interest rate implicit in the lease cannot be readily determined.

3.16. Financial instruments

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

3.16.1. Financial assets

Classification

The Establishment classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through OCI,
- those to be measured subsequently at fair value through profit or loss, and

3. Basis of presentation and significant accounting policies (continued)

3.16. Financial instruments (continued)

3.16.1. Financial assets (continued)

-those to be measured at amortized cost.

The classification depends on the Establishment's business model for managing the financial assets that whether the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the cash flows that whether 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. Management determines the classification of its investment at initial recognition.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Establishment commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Establishment has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through other comprehensive income (FVTOCI) are carried at fair value. After initial measurement, the Establishment present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Establishment's right to receive payments is established.

Financial assets at fair value through profit or loss (FVTPL) are carried at fair value. After initial recognition, the Establishment present the fair value gains and losses in profit and loss account.

Financial assets at amortized cost subsequently measured at amortized cost using effective interest method less impairment if any. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Establishment's financial assets measured at amortised cost include accounts and other receivables (excluding prepayments and advances), other financial assets and cash and cash equivalents.

3. Basis of presentation and significant accounting policies (continued)

3.16. Financial instruments (continued)

3.16.3. De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Establishment has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Establishment has transferred substantially all the risks and rewards of the asset, or (b) the Establishment has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Establishment has transferred its rights to receive cash flows from an asset or has entered into a passthrough 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 Establishment continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Establishment 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 Establishment 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 Establishment could be required to repay.

3.16.4. Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at Fair Value Through Profit or Loss (FVTPL). However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Establishment, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL:

Financial liabilities are classified as at FVTPL when the financial liability is:

- i) contingent consideration of an acquirer in a business combination,
- ii) held for trading, or
- iii) it is designated as at FVTPL

3. **Basis of presentation and significant accounting policies (continued)**

3.16. **Financial instruments (continued)**

3.16.4. **Financial liabilities (continued)**

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Establishment that are designated by the Establishment as at FVTPL are recognized in profit or loss.

The Establishment has not designated any financial liability as at fair value through profit or loss.

Financial liabilities measured subsequently at amortised cost:

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

The Establishment's financial liabilities measured at amortised cost include accounts and other payables.

3.16.5. **De-recognition of financial liabilities**

The Establishment de-recognizes financial liabilities when, and only when, the Establishment'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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

3. Basis of presentation and significant accounting policies (continued)

3.16. Financial instruments (continued)

3.16.6. 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.

3.17. Current and non-current classification

The Establishment presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Establishment classifies all other liabilities as non-current.

4. Significant accounting judgments and key sources of estimation uncertainty

4.1. Significant judgments in applying the Establishment's accounting policies

In the process of applying the Establishment's accounting policies, which are described in Note 3 to the financial statements, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below):

4.1.1. Contingencies

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

4. Significant accounting judgments and key sources of estimation uncertainty (continued)

4.1. Significant judgments in applying the Establishment's accounting policies (continued)

4.1.2. Classification of investments

Management decides on acquisition of an investment whether it should be classified as investments at FVTOCI, investments at FVTPL and amortised cost instruments. Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

All other investments are classified as investments at FVTOCI.

4.1.3. The lease-term of contracts with renewal options

The Establishment determines the lease term considering all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4.1.4. Investment in associates

The investor follows the guidance of IAS 28 'Investment in Associates and Joint Ventures' in determining whether it has significant influence over the associates and this determination requires significant judgement. In making this judgement, the Establishment evaluates, among other factors, the power to participate in the financial and operating policy decisions of the associates.

4.1.5. Going concern assumption

Management has made an assessment of the Establishment's ability to continue as a going concern and is satisfied that the Establishment has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Establishment's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4.2. Key sources of estimation uncertainty

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

4.2.1. Property, plant and equipment

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

4. Significant accounting judgments and key sources of estimation uncertainty (continued)

4.2. Key sources of estimation uncertainty (continued)

4.2.2. Intangible assets

Intangible assets are amortized over their estimated useful lives, which is based on expected pattern of consumption of the future economic benefits embodied in the assets.

4.2.3. Impairment of non-financial assets

The Establishment 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 Establishment estimates the asset's recoverable amount.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model and requires estimation of the expected future cash flows from the asset (or of the cash-generating unit) in the forecasted period and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The discount rate reflects current market assessments of the time value of money and the risks specific to the asset.

4.2.4. Impairment losses on receivables

In measuring the expected credit loss allowance for financial assets measured at amortised cost, management uses the Expected Credit Loss (ECL) model and assumptions about future economic conditions and credit behaviour such as likelihood of customer defaulting. Management consider the following judgements and estimates:

- Development of ECL model, including formula and choice of inputs;
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessments;
- The segmentation of financial assets when the ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

The Establishment recognises lifetime expected credit loss (ECL) for accounts and other receivables using the simplified approach (Note 10). Allowance for impairment losses on accounts receivables is AED 853,376/-.

Notes to the Financial Statements (continued)
For the year ended March 31, 2020

5. Property, plant and equipment

March 31, 2020

	<u>Leasehold improvements</u> <u>AED</u>	<u>Office equipment</u> <u>AED</u>	<u>Total</u> <u>AED</u>
Cost			
As at March 31, 2019	280,512	554,811	835,323
Additions	-	-	-
As at March 31, 2020	<u>280,512</u>	<u>554,811</u>	<u>835,323</u>
Accumulated depreciation			
As at March 31, 2019	(145,958)	(208,228)	(354,186)
Depreciation for the year	(70,128)	(87,570)	(157,698)
As at March 31, 2020	<u>(216,086)</u>	<u>(295,798)</u>	<u>(511,884)</u>
Carrying amount:			
As at March 31, 2020	<u>64,426</u>	<u>259,013</u>	<u>323,439</u>

March 31, 2019

	<u>Leasehold improvements</u> <u>AED</u>	<u>Office equipment</u> <u>AED</u>	<u>Total</u> <u>AED</u>
Cost			
As at March 31, 2018	280,512	554,811	835,323
Additions	-	-	-
As at March 31, 2019	<u>280,512</u>	<u>554,811</u>	<u>835,323</u>
Accumulated depreciation			
As at March 31, 2018	(75,830)	(116,916)	(192,746)
Depreciation for the year	(70,128)	(91,312)	(161,440)
As at March 31, 2019	<u>(145,958)</u>	<u>(208,228)</u>	<u>(354,186)</u>
Carrying amount:			
As at March 31, 2019	<u>134,554</u>	<u>346,583</u>	<u>481,137</u>

BLS International FZE
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Notes to the Financial Statements (continued)
For the year ended March 31, 2020

6. Intangible assets

	<u>Software</u> <u>AED</u>
Cost	
As at March 31, 2018	3,863,197
Additions	<u>2,216,561</u>
As at March 31, 2019	6,079,758
Additions	<u>3,158,350</u>
As at March 31, 2020	<u>9,238,108</u>
Amortization	
As at March 31, 2018	(975,460)
Amortization for the year	<u>(1,598,963)</u>
As at March 31, 2019	(2,574,423)
Amortization for the year	<u>(1,985,804)</u>
As at March 31, 2020	<u>(4,560,227)</u>
Carrying amount:	
As at March 31, 2020	<u>4,677,881</u>
As at March 31, 2019	<u>3,505,335</u>

7. Investment in subsidiaries

The Establishment's investment in subsidiaries consists of the following entities:

<u>Name</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>		<u>Carrying amount</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		<u>%</u>	<u>%</u>	<u>AED</u>	<u>AED</u>
BLS International Services Singapore PTE Ltd	Singapore	100	100	295,000	295,000
BLS International Services Malaysia SDN BHD	Malaysia	100	100	438,901	438,901
BLS International Vize Hizmetleri Limited, Sriketi	Turkey	98	98	50,988	50,988
BLS International Services Canada Inc.	Canada	100	100	36	36
BLS VAS Singapore Pte. Limited	Singapore	70	70	-	-
BLS International Services	UAE	100	100	-	-
BLS International Services Norway AS.	Norway	75	75	-	-
BLS International Services (UK) Limited	England	100	100	-	-
Consular Outsourcing BLS Services Inc.	USA	100	100	-	-
BLS International Services Limited	Hong Kong	100	-	4,738	-
BLS International (pty) Limited	South Africa	100	-	47,240	-
				<u>836,903</u>	<u>784,925</u>

Notes to the Financial Statements (continued)
For the year ended March 31, 2020

7. Investment in subsidiaries (continued)

The Establishment has 100% beneficial ownership in all subsidiaries except BLS International Services Norway AS., Norway, BLS VAS Singapore Pte. Limited and BLS International Vize Hizmetleri Ltd. Sriketi, Turkey.

Movements:

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Cost		
Balance at the beginning of the year	784,925	733,937
Additions	<u>51,978</u>	<u>50,988</u>
Balance at the end of the year	<u>836,903</u>	<u>784,925</u>

8. Investment in associates

The Establishment's investment in associates consists of the following entities:

Name	<u>Country of incorporation</u>	<u>Ownership interest</u>		<u>Carrying amount</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		<u>%</u>	<u>%</u>	<u>AED</u>	<u>AED</u>
DSS Gulf Realtors Ltd., Dubai	U.A.E	50	50	13,603,810	13,603,810
BLS E-Services (Bangladesh) Limited	Bangladesh	49	49	2,388	2,388
BLS Algeria	Algeria	49	-	<u>1,735</u>	<u>-</u>
				<u>13,607,933</u>	<u>13,606,198</u>

Movements:

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Balance at the beginning of the year	13,606,198	13,606,198
Additions	<u>1,735</u>	<u>-</u>
Balance at the end of the year	<u>13,607,933</u>	<u>13,606,198</u>

9. Related party transactions

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Due from related parties	<u>39,434,238</u>	<u>32,754,805</u>

Presented in the statement of financial position as:

Accounts and other receivables (Note 10)	<u>39,434,238</u>	<u>32,754,805</u>
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Notes to the Financial Statements (continued)
For the year ended March 31, 2020

9. Related party transactions (continued)

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Due to related parties	<u>58,647,440</u>	<u>68,615,001</u>

Presented in the statement of financial position as:

Accounts and other payables (Note 13)	<u>58,647,440</u>	<u>68,615,001</u>
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The Establishment enters into transactions with parties that fall within the definition of a related party as contained in International Accounting Standard 24. Related parties comprise entities under common ownership and/or common management and control and key management personnel. The shareholder and the management decide on the terms and conditions of the transactions and services received/ rendered from/to related parties as well as on other charges.

During the year, the Establishment entered into the following transactions with related parties:

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
With entities under common management and control:		
Consultancy charges	9,928,944	10,679,035
Advance	2,177,859	3,959,872
With subsidiaries and associates:		
Admin expenses	1,032,849	975,974
Interest expenses (Note 20)	22,811	24,981
Service revenue	6,198,948	8,203,574
Other services	59,020	59,243
Net funding transactions	<u>9,890,120</u>	<u>18,507,100</u>

10. Accounts and other receivables

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Receivable from customers	22,157,498	22,056,561
Less: Loss allowance (Note 10.3)	<u>(853,376)</u>	-
	21,304,122	22,056,561
Due from related parties (Note 9)	<u>39,434,238</u>	<u>32,754,805</u>
	60,738,360	54,811,366
Advances	1,103	-
Prepayments	<u>11,190</u>	<u>161,756</u>
	<u>60,750,653</u>	<u>54,973,122</u>

Notes to the Financial Statements (continued)
For the year ended March 31, 2020

10. Accounts and other receivables (continued)

10.1. Age-wise analysis of accounts receivables

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Not past due	3,125,186	9,735,750
Past due:		
Less than 180 days	11,993,593	10,664,035
More than 180 days	<u>7,038,719</u>	<u>1,656,776</u>
	<u>22,157,498</u>	<u>22,056,561</u>

The Establishment measures the loss allowances for accounts receivables at an amount equal to lifetime ECL using the simplified approach. The expected credit loss on accounts receivables are estimated by using a provision matrix by reference to past default experience of debtors and an analysis of debtor's current financial positions, adjusted for factors that are specific to the debtors' economic conditions of the industry.

The Establishment has recognized a loss allowance of AED 853,376/-, based on the following provision matrix:

10.2. Provision matrix for loss allowance

<u>Accounts receivables</u>	<u>Expected loss rate</u>
Not past due	0.9%
Less than 180 days	1%
More than 180 days	10%

The Establishment does not hold any collateral or other credit enhancements over these balances, nor does it have a legal right of offset against any amounts owned by the Establishment to the counterparty. The average credit period is 90 days. No interest is being charged on accounts receivables.

10.3. Movement in the loss allowance of accounts receivables

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Balance at the beginning of the year	-	313,371
Loss allowance on receivables (Note 17)	1,117,523	626,744
Amounts written off	<u>(264,147)</u>	<u>(940,115)</u>
	<u>853,376</u>	<u>-</u>

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Notes to the Financial Statements (continued)
For the year ended March 31, 2020

11. Other financial assets	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Term deposits	<u>36,953,555</u>	<u>33,987,917</u>
At the year-end, these deposits carried an interest @ 2.79% to 3.15% per annum (2019: 2.79% to 3.15% per annum).		
12. Cash and cash equivalents	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Bank balances:		
In current accounts	<u>1,885,688</u>	<u>9,404,088</u>
13. Accounts and other payables	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Payables to suppliers	4,400,972	55,087
Due to related parties (Note 9)	58,647,440	68,615,001
Accruals	<u>375,396</u>	<u>941,913</u>
	<u>63,423,808</u>	<u>69,612,001</u>
14. Revenue	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Service revenue	<u>62,020,800</u>	<u>60,175,973</u>
15. Direct expenses	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Rendering of services	36,143,081	29,420,734
Other direct expenses	<u>1,091,869</u>	<u>1,031,544</u>
	<u>37,234,950</u>	<u>30,452,278</u>
16. Other income	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Exchange rate gain	<u>558,761</u>	<u>-</u>

Notes to the Financial Statements (continued)
For the year ended March 31, 2020

17. General and administrative expenses

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Salaries and allowances	3,013,597	3,068,448
Short-term leases (Note 21)	398,503	495,456
License and professional	1,020,341	1,431,822
Loss allowance on receivables (Note 10.3)	1,117,523	2,831,198
Bank charges	157,539	135,968
Service charges	-	31,937
Commission	-	294,545
Computer expenses	15,195	7,828
Printing and stationery	57,383	59,333
Related party balance written off	1,102,227	-
Repairs and maintenance	5,275	17,199
Software expenses	48,054	-
Communication	137,943	152,592
Travel	2,191	1,386
Vehicle maintenance	52,610	38,917
Exchange rate loss	-	611,238
Utilities	110,966	80,173
Others	39,745	225,475
	<u>7,279,092</u>	<u>9,483,515</u>

18. Depreciation and amortization

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Depreciation of property, plant and equipment (Note 5)	157,698	161,440
Amortization of intangible assets (Note 6)	1,985,804	1,598,963
	<u>2,143,502</u>	<u>1,760,403</u>

19. Finance income

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Interest on fixed deposits (Note 11)	918,825	688,645

20. Finance cost

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Interest expense (Note 9)	22,811	24,981

This represents the interest charged @ 6% per annum on an advance by a subsidiary.

Notes to the Financial Statements (continued)
For the year ended March 31, 2020

21. Lease payments not recognised as a liability

The Establishment has elected not to recognise a lease liability for short-term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	<u>2020</u>
	<u>AED</u>
	<u>398,503</u>
Short-term leases (Note 17)	

22. Financial instruments and risk management

Details of significant policies and methods adopted including the criteria for recognition for the basis of measurement in respect of each class of financial assets and financial liabilities are disclosed in Note 3 to the financial statements.

Categories of financial instruments

	<u>2020</u>	<u>2019</u>
	<u>AED</u>	<u>AED</u>
Financial assets		
<i>Measured at amortised cost:</i>		
Cash and cash equivalents	1,885,688	9,404,088
Accounts and other receivables (less prepayments and advances)	60,738,360	54,811,366
Other financial assets	<u>36,953,555</u>	<u>33,987,917</u>
	<u>99,577,603</u>	<u>98,203,371</u>
Financial liabilities		
<i>Measured at amortised cost:</i>		
Accounts and other payables	<u>63,423,808</u>	<u>69,612,001</u>

22.1. Capital risk management

The capital is being managed by the Establishment in such a way that it is able to continue as a going concern while maximizing returns to investor. The Establishment's overall strategy remains unchanged from previous year.

The capital structure of the Establishment consists of equity of the Establishment (comprising of share capital and retained earnings).

As risk management policy, the Establishment reviews its cost of capital and risks associated with each class of capital. The Establishment balances its capital structure based on the above review.

22. Financial instruments and risk management (continued)

22.2. Credit risk management

Credit risk in relation to the Establishment refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Establishment.

Key areas where the Establishment is exposed to credit risk are accounts and other receivables, bank balances and other financial assets (liquid assets). The Establishment has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Establishment attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter-parties, and continually assessing the creditworthiness of such non-related counter-parties.

Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the Central Bank.

Accounts receivables, balances with banks and other financial assets are not secured by any collateral. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations, generally approximates their carrying value.

Credit risk grading framework:

The Establishment's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >90 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >365 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Establishment has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Establishment's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

Group	Rating	12 month or Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Accounts receivables	(i)	Lifetime ECL (Simplified approach)	22,157,498	(853,376)	21,304,122

Notes to the Financial Statements (continued)
For the year ended March 31, 2020

22. Financial instruments and risk management (continued)

22.2. Credit risk management (continued)

(i) For accounts receivables, the Establishment has applied the simplified approach to measure the loss allowance at lifetime ECL. The Establishment determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

22.3. Currency risk exposure

The Establishment's currency risk exposure relates to the exposure to the fluctuations in the foreign currency rates. There is no significant impact on USD as the UAE Dirham is pegged to the USD.

22.4. Interest rate risk

At March 31, 2020, the Establishment's exposure to interest rate risk relates to its related party balance with fixed interest rates.

22.5. Liquidity risk management

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

The Establishment manages the liquidity risk through risk management framework for the Establishment's short, medium and long-term funding and liquidity requirements by maintaining adequate reserves and sufficient cash and cash equivalents to ensure that funds are available to meet its commitments for liabilities as they fall due.

The table below analyses the Establishment's remaining contractual maturity for its financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The contractual maturity is based on the earliest date on which the Establishment may be required to pay.

	<u>Within 1 year</u>
	<u>AED</u>
<u>As at March 31, 2020</u>	
Measured at amortised cost:	
Accounts and other payables	<u>63,423,808</u>
<u>As at March 31, 2019</u>	
Measured at amortised cost:	
Accounts and other payables	<u>69,612,001</u>

23. Segment information

Operating segment:

The Establishment operates in the following segment: undertaking management consultancy services.

Geographical segment:

The Establishment operates in the following geographical segment: United Arab Emirates.

24. Fair value of financial instruments

The fair values of financial instruments approximate their carrying values except as otherwise disclosed in these financial statements.

25. Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation.

