

**The Supreme Industries Overseas (FZE)  
SAIF Zone**

**Post Box 9158  
Sharjah (U.A.E.)**

**Financial Statements &  
Independent Auditor's Report  
for the year ended March 31, 2020**

**The Supreme Industries Overseas (FZE)**  
SAIF Zone, Sharjah (U.A.E.)

**Financial Statements for the year ended March 31, 2020**  
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# The Supreme Industries Overseas FZE

Z3 #54, SAIF Zone, P.O. Box 9158, Sharjah, United Arab Emirates

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## Manager's Report

The manager of the Company presents this report along with the financial statements of The Supreme Industries Overseas (FZE) for the year ended March 31, 2020.

### Legal status and shareholders:

The Supreme Industries Overseas (FZE), is registered as a free zone establishment with limited liability with Sharjah Airport International Free Zone (SAIF Zone) Authority in the emirate of Sharjah (U.A.E.) under commercial license no. 03490.

The shareholder of the Company and its share in capital as on reporting date is as under:

Sl. No.	Shareholders	Nationality	Share	Amount AED	%
1.	M/s. The Supreme Industries Limited	Indian company	1	150,000	100.00%
	<b>Total</b>		<b>1</b>	<b>150,000</b>	<b>100%</b>

M/s. The Supreme Industries Limited is a limited company registered under Certificate of Incorporation no. 3554 under the Indian Companies Act of 1956 & its amendments thereafter. The registered address of M/s. The Supreme Industries Limited is 612, Raheja Chambers, Nariman Point, Mumbai, India.

### Operations of the Company:

The Company is licensed to carry on the activity of trading in plastics & pipe fittings. During the year under review, it was engaged principally in trading activity and also acted as an agent for supply of pipes & pipe fittings.

The financial highlights of the Company are as below:

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Revenue	1,825,896	2,283,299
Gross profit	948,232	1,701,590
Net (loss)/profit	(209,304)	437,506
Total liabilities	355,453	389,542
Equity & shareholder's funds	1,265,878	1,475,182

The COVID-19 outbreak & resultant disruptions to economic activities may have impact on the Company's operations & financial performance.

Management is in the process of carrying out detailed assessment that this event would have and pending this assessment, it would not be able to quantify the impact, this event may have on the Company's operations, financial performance, liquidity, solvency as well as going concern assumption. Management of the Company, based on its preliminary assessment & review, assures that it would be able to continue its operations in the foreseeable future and parent company would provide necessary financial support, as and when required. Hence these financial statements are prepared on a going concern assumption.

## WOS of The Supreme Industries Limited

1161 & 62, Solitaire Corporate Park, Andheri (East), Mumbai, INDIA- 400 093

Telephone # +91 22 4043 0000; Facsimile # +91 22 4043 0099; Email: [info@supreme.co.in](mailto:info@supreme.co.in); Website: [www.supreme.co.in](http://www.supreme.co.in)

**Results & dividend:**

Net loss for the year amounted to AED 209,304/- (previous year earned net profit of AED 437,506/-).

Opening balance of retained earnings after setting off current year net loss is proposed to be carried forward.

**Management's responsibilities & acknowledgements:**

We confirm that management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small & Medium-sized Entities (IFRS for SMEs), implementing regulations of Sharjah Airport International Free Zone Authority issued pursuant to Emiri decree no. 2 of 1995 and the applicable provisions of the Memorandum and Articles of Association of the Company.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Company's management further states that there are no material uncertainties which would make the going concern assumption inappropriate.

**Events occurring after the reporting date:**

There were no important events occurring after the reporting date that would materially affect the working or the financial statements of the Company.

**Auditors:**

The Company's auditors, M/s. Kothari Auditors & Accountants, Sharjah (U.A.E.) are retiring at the end of the annual general meeting of the shareholder and being eligible have expressed their willingness to be re-appointed. A resolution to re-appoint them for the year 2020-21 and to fix their remuneration would be put up before the shareholder at the annual general meeting.

For The Supreme Industries Overseas (FZE)



Narendra Krishna Rao Bhagdikar  
Manager

May 10, 2020  
Sharjah, United Arab Emirates



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**WOS of The Supreme Industries Limited**

1161 & 62, Solitaire Corporate Park, Andheri (East), Mumbai, INDIA- 400 093  
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**Independent Auditor's Report**

To the shareholder's of

**The Supreme Industries Overseas (FZE)**

**SAIF Zone, Sharjah (U.A.E.)**

**Opinion:**

We have audited the financial statements of The Supreme Industries Overseas (FZE) (the Company), which comprise the statement of financial position as at March 31, 2020, and the statement of comprehensive income, statement of changes in equity & shareholder's funds and statement of cash flows for the year then ended, and notes & schedules to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Supreme Industries Overseas (FZE) (the Company) as at March 31, 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) applied on a consistent basis.

**Basis for opinion:**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Sharjah (U.A.E.), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other matters:**

- VAT refund is based on computation of VAT returns as prepared by the management. We have not carried out review of VAT compliances and verification of VAT computations as well as returns and hence we do not express any opinion on the accuracy of VAT returns as well as compliances.
- The COVID-19 outbreak has caused disruptions throughout the world impacting the economic activities with forecast of economic downturns in several parts of the world. Management of the Company has, based on its preliminary assessment & review, assured that the Company would be able to continue its operations in the foreseeable future and financial support, if any, would be provided as and when required. Due to uncertainty surrounding the length & extent of impact as well as pending detailed assessment by the management, we are unable to review the impact of this event on the Company's liquidity, solvency as well as going concern, if any, and hence unable to express an opinion on impact that COVID-19 crisis may have on the Company.

**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 International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs), implementing regulations of Sharjah Airport International Free Zone Authority issued pursuant to Emiri decree no. 2 of 1995 and the Memorandum and Articles of Association of the Company 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 and 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.

كوتاري لتدقيق الحسابات

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**Independent Auditor's Report** (continued)

To the shareholder's of

**The Supreme Industries Overseas (FZE)**

**SAIF Zone, Sharjah (U.A.E.)**

**Auditor's responsibilities for the audit of the financial statements:**

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

A further description of the auditor's responsibilities for the audit of the financial statements can be found at Kothari Auditors & Accountants website page link at <http://www.kothariauditors.com/standards-commercial-company-laws-dubai.html>. This description forms part of our independent auditor's report.

**Report on other legal and regulatory requirements:**

Further we report that:

- We have obtained all the information we considered necessary for the purpose of our audit.
- The financial statements have been prepared and comply, in all material respects, with the regulations of Sharjah Airport International Free Zone Authority issued pursuant to Emiree decree no. 2 of 1995, and the Memorandum & Articles of Association of the Company.
- The Company has maintained proper books of accounts and the financial statements are in agreement therewith.
- The financial information included in the Manager's Report is consistent with the books of accounts and records of the Company.
- The Company has not purchased nor invested in any shares during the financial year ended March 31, 2020.
- Note no. 4.1 to the financial statements discloses material related party transactions, and the terms under which they were conducted.
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended March 31, 2020, any of the regulations of Sharjah Airport International Free Zone Authority issued pursuant to Emiri decree no. 2 of 1995, and the Memorandum and Articles of Association of the Company which would materially affect its activities or its financial position as at March 31, 2020.

V.Roomani

Kothari Vipul R.

Ministry of Economy Registration No. 159

Kothari Auditors & Accountants

May 10, 2020

Sharjah, United Arab Emirates



Ref: S/RP-3087/2020

**The Supreme Industries Overseas (FZE)**

SAIF Zone, Sharjah (U.A.E.)

Statement of Financial Position as at March 31, 2020

Particulars	Note no.	2019-20 AED	2018-19 AED
<b>Assets:</b>			
<b>Non-current assets</b>			
Property, plant & equipment	Sch 1	2,853	-
		<u>2,853</u>	-
<b>Current assets</b>			
Inventories	5	-	-
Deposits, prepayments & advances	6	17,054	23,263
Accounts receivables	7	925,429	1,067,767
Cash and bank balances	8	675,995	773,694
		<u>1,618,478</u>	<u>1,864,724</u>
<b>Total assets employed</b>		<b><u>1,621,331</u></b>	<b><u>1,864,724</u></b>
<b>Equity, shareholder's funds and liabilities:</b>			
<b>Equity &amp; shareholder's funds</b>			
Share capital	9	150,000	150,000
Reserves & surplus	10	1,115,878	1,325,182
Equity		<u>1,265,878</u>	<u>1,475,182</u>
<b>Non-current liabilities</b>			
Employee end of service benefits	11	243,463	219,463
		<u>243,463</u>	<u>219,463</u>
<b>Current liabilities</b>			
Accounts payables	12	22,891	50,413
Provisions, accruals and other liabilities	13	89,099	119,666
		<u>111,990</u>	<u>170,079</u>
<b>Total liabilities</b>		<b><u>355,453</u></b>	<b><u>389,542</u></b>
<b>Total equity, shareholder's funds and liabilities</b>		<b><u>1,621,331</u></b>	<b><u>1,864,724</u></b>

The attached note nos. 1 - 22 and schedule no. 1 form an integral part of these financial statements.

Auditor's report is on page nos. 3 - 4. The board of directors have approved & authorized the manager for the issuance of these financial statements on May 10, 2020.

For The Supreme Industries Overseas (FZE)

*Narendra Krishna Rao Bhagdikar*

Narendra Krishna Rao Bhagdikar  
Manager



**The Supreme Industries Overseas (FZE)**

**SAIF Zone, Sharjah (U.A.E.)**

Statement of Comprehensive Income for the year ended March 31, 2020

Particulars	Note no.	2019-20 AED	2018-19 AED
Revenue	14	1,825,896	2,283,299
Direct costs	15	<u>(877,664)</u>	<u>(581,709)</u>
Gross profit		948,232	1,701,590
Other income	16	-	11,997
Selling & distribution costs	17	(352,935)	(438,481)
Administrative costs	18	(797,210)	(834,810)
Finance costs	19	(2,294)	(1,930)
Other expenses	20	<u>(5,097)</u>	<u>(860)</u>
<b>Net (loss)/profit for the year</b>		<b><u>(209,304)</u></b>	<b><u>437,506</u></b>

The attached note nos. 1 - 22 and schedule no. 1 form an integral part of these financial statements.

Auditor's report is on page nos. 3 - 4. The board of directors have approved & authorized the manager for the issuance of these financial statements on May 10, 2020

For The Supreme Industries Overseas (FZE)

*NB Nandy*

Narendra Krishna Rao Bhagdikar  
Manager





## The Supreme Industries Overseas (FZE)

SAIF Zone, Sharjah (U.A.E.)

Statement of Changes in Equity and Shareholder's Funds for the year ended March 31, 2020

	Share capital	General reserve	Retained earnings	Total
Balance at March 31, 2018	150,000	21,679	865,997	1,037,676
Net profit for the year	-	-	437,506	437,506
Net movement	-	-	-	-
<b>Balance at March 31, 2019</b>	<b>150,000</b>	<b>21,679</b>	<b>1,303,503</b>	<b>1,475,182</b>
Net (loss) for the year	-	-	(209,304)	(209,304)
Net movement	-	-	-	-
<b>Balance at March 31, 2020</b>	<b>150,000</b>	<b>21,679</b>	<b>1,094,199</b>	<b>1,265,878</b>

The attached note nos. 1 - 22 and schedule no. 1 form an integral part of these financial statements. Auditor's report is on page nos. 3 - 4.

**The Supreme Industries Overseas (FZE)**

**SAIF Zone, Sharjah (U.A.E.)**

Statement of Cash Flows for the year ended March 31, 2020

Particulars	Note no.	2019-20 AED	2018-19 AED
Cash flows from operating activities			
Net (loss)/profit for the year		(209,304)	437,506
Adjustments for:			
Depreciation and amortisation		1,256	1,870
Impairment of accounts receivables		-	14,241
Finance costs		2,294	1,930
Employee end of service benefits provided		27,450	27,700
<b>Operating cash flows before changes in working capital</b>		<b>(178,304)</b>	<b>483,247</b>
Working capital changes:			
Movement in accounts receivables		142,338	(650,693)
Movement in deposits, prepayments & advances		6,209	(6,332)
Movement in accounts and other payables		(27,522)	(631,569)
Movements in provisions, accruals & other liabilities		(30,567)	613
Payment of employee end of service indemnity		(3,450)	(6,673)
<b>Net cash (used in) operating activities</b>		<b>(91,296)</b>	<b>(811,407)</b>
Cash flows from investing activities:			
Additions to property, plant & equipment		(4,109)	(1,250)
<b>Net cash (used in) investing activities</b>		<b>(4,109)</b>	<b>(1,250)</b>
Cash flows from financing activities:			
Finance cost		(2,294)	(1,930)
<b>Net cash (used in) financing activities</b>		<b>(2,294)</b>	<b>(1,930)</b>
Net (decrease) in cash and cash equivalents		(97,699)	(814,587)
Cash and cash equivalents at beginning of the year		773,694	1,588,281
<b>Cash and cash equivalents at end of the year</b>	8	<b>675,995</b>	<b>773,694</b>

The attached note nos. 1 - 22 and schedule no. 1 form an integral part of these financial statements.  
Auditor's report is on page nos. 3 - 4.

## The Supreme Industries Overseas (FZE)

### SAIF Zone, Sharjah (U.A.E.)

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

#### 1. Status and activity:

The Supreme Industries Overseas (FZE) (the Company) is registered as a free zone establishment with limited liability with Sharjah Airport International Free Zone (SAIF Zone) Authority in the emirate of Sharjah (U.A.E.) under commercial license no. 03490.

The shareholders of the Company and its share in capital as on reporting date is as under:

Sl. No.	Shareholders	Nationality	Share	Amount AED	%
1.	M/s. The Supreme Industries Limited	Indian company	1	150,000	100.00%
	<b>Total</b>		<b>1</b>	<b>150,000</b>	<b>100%</b>

M/s. The Supreme Industries Limited is a limited company registered under Certificate of Incorporation no. 3554 under the Indian Companies Act of 1956 & its amendments thereafter. The registered address of M/s. The Supreme Industries Limited is 612, Raheja Chambers, Nariman Point, Mumbai, India.

The principal place of business is Suite Z3-54, SAIF Zone, Sharjah (U.A.E.) and registered address of the Company is Post Box 9158, SAIF Zone, Sharjah (U.A.E.).

The Company is licensed to carry on the activity of trading in plastics & pipe fittings. During the year under the review, it was engaged principally in trading activity and also acted as an agent for supply of pipes & pipe fittings.

#### 2. Basis of preparation:

##### 2.1. Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs), issued by the International Accounting Standards Board (IASB).

##### 2.2. Basis of measurement:

These financial statements have been prepared under the going concern assumption and historical cost convention except in respect of those financial instruments, which are presented at their fair values and properly disclosed elsewhere in the report.

The COVID-19 outbreak & resultant disruptions to economic activities may have impact on the Company's operations & financial performance. Management is in the process of carrying out detailed assessment that this event would have and pending this assessment, it would not be able to quantify the impact, this event may have on the Company's operations, financial performance, liquidity, solvency as well as going concern assumption. Management of the Company, based on its preliminary assessment & review, assures that it would be able to continue its operations in the foreseeable future and parent company would provide necessary financial support, as and when required. Hence these financial statements are prepared on a going concern assumption.

##### 2.3. Basis of accounting and coverage:

The Company follows the accrual basis of accounting except for statement of cash flows which is presented on a cash basis. Under the accrual basis, the transactions and events are recognized as and when they occur and are recorded in the financial statements for the period to which they relate to. The financial statements enclosed cover the period from April 01, 2019 to March 31, 2020. Previous year figures are for the period from April 01, 2018 to March 31, 2019 and have been regrouped where necessary.

**The Supreme Industries Overseas (FZE)**

**SAIF Zone, Sharjah (U.A.E.)**

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

**2.4. Functional & presentation currency:**

The financial statements are presented in United Arab Emirates Dirhams (AED), which is also the Company's functional currency. All financial information presented in AED has been rounded off to the nearest U.A.E. Dirham.

**2.5. Use of estimates & judgments:**

The preparation of financial statements in conformity with IFRS for SMEs requires management to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected & same are mentioned under respective accounting policy note. The following accounting estimates and management judgments which are material in nature, have been considered, in the preparation of financial statements.

**- Useful lives of property, plant & equipment:**

Company's management estimates the useful life of property, plant & equipment & residual value for calculating depreciation. It reviews the estimated life & residual value on annual basis & future depreciation expense would be adjusted where the management believes that useful life differs from the previous estimates.

**- Impairment of accounts receivables:**

Accounts receivables are subjected to recoverability test on a periodical basis when collection of full amount is no longer probable. Accounts receivable balances which are individually significant, are verified for ageing, subsequent receipts & balance confirmations. Accounts receivable balances which are individually not material, are assessed collectively & estimated reserve for impairment of accounts receivables is created if same is outstanding for beyond normal credit terms & doubtful.

Management estimates that reserve for impairment created against accounts receivables is sufficient to cover for doubtful losses if any.

**- Impairment of inventories:**

Inventories, if any, are subjected to ageing & impairment test on a periodical basis by management on damaged, obsolete and slow moving inventories. These reviews require judgments and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

**3. Summary of significant accounting policies:**

The following accounting policies have been consistently applied by the management in preparation of the financial statements except where stated here under:

**3.1. Current and non-current classification:**

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

An asset is current when it is:

- 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.

## **The Supreme Industries Overseas (FZE)**

**SAIF Zone, Sharjah (U.A.E.)**

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

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 Company classifies all other liabilities as non-current.

### **3.2. Inventories:**

Inventories, if any, are carried at the lower of cost and net realizable value (estimated selling price less cost to complete and selling expenses). Cost includes aggregate of purchase price, including applicable cost bring the inventory to the present condition, valued at 'first-in-first-out' method.

Any excess of carrying amount, over the net realizable value is charged immediately as impairment loss through statement of comprehensive income. inventory items, which are slow moving or obsolete are assessed and reserve for impairment is created based on their ageing and saleability.

### **3.3. Property, plant and equipment:**

Property, plant & equipment are carried at their cost of acquisition including any incidental expenses related to acquisition or installation, less accumulated depreciation and accumulated impairment loss. Depreciation has been provided on straight line method over the estimated useful lives, as determined by the management.

Property, plant & equipment are, at the reporting date, subject to impairment. Where any indication of impairment exists, the carrying amount is written down to its recoverable amount.

The management's estimate of useful life of various assets is as follows:

Furniture and fixtures	5 years
Office equipments	1-5 years

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.

A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in these financial statements. Management assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant changes in the technology and regulatory environments.
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

### **3.4. Financial instruments:**

The Company recognizes a financial instrument (being a financial asset or financial liability) only when the Company becomes a part of the contractual provisions of the instrument.

Accounting policy relevant to each type of financial instrument is as follows:

**The Supreme Industries Overseas (FZE)**

**SAIF Zone, Sharjah (U.A.E.)**

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

**a. Cash & cash equivalents:**

Cash and cash equivalents comprises cash on hand, balance with banks in current accounts.

**b. Accounts receivables:**

Accounts receivables are amounts due from customers towards sale of goods in the ordinary course of business. Accounts receivables are recognized initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less reserve for impairment of accounts receivables. A reserve for impairment of accounts receivables is recognised when it is probable that the Company will not be able to collect all amounts due according to original terms of the accounts receivables.

**c. Accounts payable:**

Accounts payable represent obligations towards purchase of goods in the ordinary course of business. Same is free of interest & payable at the end of credit period granted by the suppliers. Accounts payables are recognized initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method.

**d. Other financial assets:**

Other financial assets are recognised initially at transaction value and subsequently measured at amortised cost using the effective interest method less impairment. However, all other financial assets have a value on realization in the ordinary course of the Company's business, which is at least equal to the amount at which they are stated in the statement of financial position.

**e. Other financial liabilities:**

Other financial liabilities, including borrowings, if any, are initially measured at transaction value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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

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

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Company intends to settle on a net basis.

**The Supreme Industries Overseas (FZE)**

**SAIF Zone, Sharjah (U.A.E.)**

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

**3.5. Impairment of non-financial assets:**

At each reporting date, the Company 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 impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

**3.6. Impairment of financial assets:**

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of asset (an incurred "loss event") and that loss event (events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets can be readily estimated.

If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows.

- For assets carried at fair value, impairment is the difference between the cost and fair value less any impairment loss previously recognised in the statement of comprehensive income.
- For assets carried at cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the current market rate of return for a similar asset.
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest.

Reversal of impairment losses recognised in prior years is recorded when there an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised.

**3.7. Leases:**

Leases are classified as finance leases when substantially all risks and rewards of ownership are transferred to the lessee. All other leases are operating leases.

**Operating lease:**

Lease payments under an operating lease are recognized as an expense in the statement of comprehensive income on a straight line basis over the lease term. Generally the Company's operating leases are for annual duration and hence the Company is not exposed to any operating lease obligations.

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**3.8. Employee benefits:**

Employee benefits have been provided for in accordance with the contractual terms with the employees, but are however subject to minimum of U.A.E. Labour Law requirements. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

**3.9. Provisions & contingencies:**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of economic benefits would be required to settle these obligations, and a reliable estimate of the same can be made.

Contingent liabilities are not recognized but are disclosed in the notes to financial statements. A disclosure of contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When likelihood of outflow is remote, no provision or disclosure is made.

**3.10. General reserve:**

General reserve represents amount set aside by the Company out of net profits. This being a free reserve is to be utilized at the discretion of the management/shareholders.

**3.11. Value added tax:**

As per the Federal Decree-Law No. (08) of 2017, effective from January 1, 2018, Value Added Tax (VAT), will be charged at 5% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the Company. The Company is required to file its VAT returns and compute the payable / receivable tax (which is output tax less input tax / input tax) for the allotted tax period(s) and deposit / claim refund the same within the prescribed due dates of filing VAT return. Net position of Value Added Tax as on reporting date is disclosed under other current assets.

**3.12. Revenue recognition:**

Revenue is recognized when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at fair value of consideration received or receivable, excluding discounts, rebates & duties.

Revenue includes income from sale of goods & commission income

Revenue from sale of goods is recognized when it is probable that the economic benefit will flow to the Company, the significant risk and reward of ownership have transferred to the buyer, the entity loses effective control and ownership over the goods and the revenue can be reliably measured.

Commission income is recognised as and when the deal is executed. Agent commission payable which was no longer payable was reversed and credit given to 'Reversal of agent commission payable' & presented under other income.

**3.13. Expenditure:**

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. Expenses are presented in the statement of comprehensive income, classified according to the function of expense.



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**3.14. Foreign currencies transactions:**

Transactions in foreign currency, if any, are converted into functional currency at prevailing exchange rate on the date such transactions are entered into.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies which are stated at historical cost or fair value, are translated into functional currency at the exchange rates prevailing on the date of such transaction or the date of determination of fair value respectively.

Resultant loss or gain has been recognized in the statement of comprehensive income, in the year in which such assets are realized or liabilities are discharged.

**4. Other significant disclosures:**

**4.1. Related party transactions:**

The Company enters into transactions with another Company/person that fall within the definition of a related party as per the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).

The terms of trade with such related parties are based on commercial terms & conditions agreed upon with them by the management.

Related parties with whom the Company had entered into transactions during the year under review comprise of the shareholders & manager as stated here under:

<u>Name of the related parties</u>	<u>Control</u>	<u>Relation</u>
M/s. The Supreme Industries Limited, Mumbai, India	100%	Parent/Holding company
Mr. Narendra Krishna Rao Bhagdikar	Manager	Key management personnel

During the year under review, following transactions were entered into with related parties:

<u>Nature of transactions</u>	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
<b>Purchases:</b>		
Purchases from parent company	840,050	493,435
<b>Compensation to key management personnel:</b>		
Manager's remuneration & benefits	453,300	455,300
<b>Other transactions:</b>		
Commission income from parent company	878,979	1,596,303

**4.2. Financial, capital risk management & fair value information:**

**a. Credit, liquidity & market rate risk:**

**Credit risk:**

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations.

The Company's cash is placed with banks of repute.

The exposure to credit risk on accounts receivables is monitored on an ongoing basis by the management and

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these are considered recoverable by the Company's management. However 100% of total accounts receivables were outstanding from 4 customers including one related party customer (previous year 95.21% of the total accounts receivables from one related party customer) and hence the Company has concentration of accounts receivables and consequent risk to that extent.

**Liquidity risk:**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when it falls due. The Company's assets are sufficient to cover its financial obligations.

The table below summarises the maturity profile of the Company's financial liabilities on contractual undiscounted payments.

Financial liabilities as on March 31, 2020	Less than 6 months	6 months to 1 year	More than 1 year	Total AED
Employee end of service benefits	-	-	243,463	243,463
Accounts payable	22,891	-	-	22,891
Provisions, accruals & other liabilities	89,099	-	-	89,099
<b>Total</b>	<b>111,990</b>	<b>-</b>	<b>243,463</b>	<b>355,453</b>

Financial liabilities as on March 31, 2019	Less than 6 months	6 months to 1 year	More than 1 year	Total AED
Employee end of service benefits	-	-	219,463	219,463
Accounts payable	50,413	-	-	50,413
Provisions, accruals & other liabilities	119,666	-	-	119,666
<b>Total</b>	<b>170,079</b>	<b>-</b>	<b>219,463</b>	<b>389,542</b>

**Market risk:**

Market risk is the risk that changes in market prices, such as investment prices, interest rates and currency rates will affect the Company's income of the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**Interest rate risk:**

Interest rate risk is the risk of variability in profit due to change in interest rates on interest bearing assets and interest bearing liabilities. The Company does not have any interest bearing assets and interest bearing liabilities & consequently no risk on this account.

**Currency risk:**

Currency risk faced by the Company is minimal as there are minimal foreign currency transactions. Most of the monetary assets and liabilities are denominated in United Arab Emirates Dirhams (AED) or in United States Dollar (USD), which is pegged to AED.

**Other risks:**

**- Revenue risk:**

48.14% of revenue was generated from one related party customer (previous year 69.91% from one related party customers) and hence the Company has revenue risk to that extent.

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**- Purchase/sourcing risk:**

The Company has procured material from one related party supplier which forms 100% of purchases (previous year 100% of purchases from 2 suppliers including one related party) and discontinuance of supply from them can have a material impact on the sourcing of goods and hence there is procurement risk to that extent.

**4.3. Capital management:**

The Company's policy is to maintain a strong capital base so as to maintain lender and creditor confidence and to sustain future development of the business. The Company is not subject to externally imposed capital restrictions.

**4.4. Fair value information:**

Fair value represents the amount at which an asset could be exchanged or a liability settled in an arm's length transaction, between willing & knowledgeable parties. In respect of all the Company's financial assets viz cash & bank balances, receivables, advances, deposits, accrued income and liabilities viz dues to banks, payables, accruals and other non-current liabilities, in the opinion of the management, the book value approximates to their carrying value.

**5. Inventories:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Stock on hand	-	-
Reserve for impairment of inventories	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Movement in reserve for impairment of inventories is as follows:		
Balance at the beginning of the year	-	32,286
(Utilisation) for the year	-	(32,286)
Balance at the end of the year	<u>-</u>	<u>-</u>

Inventories comprising of plastics & pipe fittings have been physically verified & certified by the management. Obsolete stock if any, has been adequately provided for.

**6. Deposits, prepayments & advances:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Deposits	13,831	21,141
Prepayments	-	1,622
Loans & advances to staff	1,000	500
Other current assets	<u>2,223</u>	<u>-</u>
	<u>17,054</u>	<u>23,263</u>

a. Deposits include 6,300/- (previous year AED 13,600/-) placed with SAIF Zone Authorities against employee visa guarantees issued.

b. Other current assets represents VAT refund which is based on computation of VAT returns as prepared by the management and subject to assessment & confirmation by the Federal Tax Authority.

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

**7. Accounts receivables:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Trade receivables	19,993	51,837
Trade receivables-related parties	<u>919,677</u>	<u>1,030,171</u>
	939,670	1,082,008
Reserve for impairment of accounts receivables	<u>(14,241)</u>	<u>(14,241)</u>
	<u>925,429</u>	<u>1,067,767</u>

Age-wise analysis of accounts receivables is as follows:

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Outstanding for less than 3 months	150,418	423,063
Outstanding for more than 3 months but less than 6 months	129,387	433,855
Outstanding for more than 6 months but less than 12 months	645,624	210,849
Outstanding for more than 12 months	<u>14,241</u>	<u>14,241</u>
	<u>939,670</u>	<u>1,082,008</u>

Geographical analysis of accounts receivables is as follows:

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Due from within U.A.E.	14,241	14,241
Due from India	894,074	1,030,171
Due from other countries	<u>31,355</u>	<u>37,596</u>
	<u>939,670</u>	<u>1,082,008</u>

Movement in reserve for impairment of accounts receivables is as follows:

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Balance at the beginning of the year	14,241	-
Provided for the year	-	<u>14,241</u>
Balance at the end of the year	<u>14,241</u>	<u>14,241</u>

The Company's exposure to credit risk relating to accounts receivables is disclosed in note 4.2.a.

**8. Cash and bank balances/Cash & cash equivalents:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Cash on hand	11,401	208
Balance with banks in current account	<u>664,594</u>	<u>773,486</u>
	<u>675,995</u>	<u>773,694</u>

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

**9. Share capital:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Share capital	150,000	150,000
	<u>150,000</u>	<u>150,000</u>

The authorised and paid up share capital of the Company is 150,000/- comprising of 1 share of 150,000/- (previous year 150,000/- comprising of 1 share of 150,000/-).

**10. Reserves & surplus:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
General reserve	21,679	21,679
Retained earnings	1,094,199	1,303,503
	<u>1,115,878</u>	<u>1,325,182</u>

**11. Employee end of service benefits:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Balance at the beginning of the year	219,463	198,436
Provided for the year	27,450	27,700
(Paid) during the year	<u>(3,450)</u>	<u>(6,673)</u>
Balance at the end of the year	<u>243,463</u>	<u>219,463</u>

**12. Accounts payable:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Trade payable	975	-
Payables to group company	-	863
Commission payables	21,916	49,550
	<u>22,891</u>	<u>50,413</u>

**13. Provisions, accruals & other liabilities:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Accrued expenses	17,494	44,340
Accrued staff salaries & benefits	71,349	74,900
Advance from customers	256	256
Other current liabilities	-	170
	<u>89,099</u>	<u>119,666</u>

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During the previous year, other current liabilities included VAT payable which is based on computation of VAT returns as prepared by the management and subject to assessment & confirmation by the Federal Tax Authority.

**14. Revenue:**

	<u>2019-20</u>	<u>2018-19</u>
	AED	AED
Sales income	946,917	686,996
Commission income	<u>878,979</u>	<u>1,596,303</u>
	<u>1,825,896</u>	<u>2,283,299</u>

**15. Direct costs:**

	<u>2019-20</u>	<u>2018-19</u>
	AED	AED
Inventories at the beginning of the year	-	32,286
Purchases	840,050	517,541
Clearing & forwarding expenses	<u>37,614</u>	<u>31,882</u>
	<u>877,664</u>	<u>581,709</u>

**16. Other income:**

	<u>2019-20</u>	<u>2018-19</u>
	AED	AED
Reversal of agent commission payable	-	11,997
	<u>-</u>	<u>11,997</u>

**17. Selling & distribution costs:**

	<u>2019-20</u>	<u>2018-19</u>
	AED	AED
Commission on sales	52,289	69,708
Advertisement & business promotion expenses	29,285	20,398
Exhibition expenses	242,218	257,311
Overseas travelling expenses	29,143	76,823
Impairment of accounts receivables	-	14,241
	<u>352,935</u>	<u>438,481</u>

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**18. Administrative costs:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Office rent	50,400	50,500
Salaries & other staff related benefits	123,362	137,450
Manager's remuneration & benefits	453,300	455,300
Communication expenses	78,623	79,050
Fees & charges	16,857	20,661
Travelling & conveyance expenses	15,740	5,326
Vehicle running & maintenance expenses	19,608	29,371
Office & other expenses	38,064	55,282
Depreciation on property, plant and equipment	1,256	1,870
	<u>797,210</u>	<u>834,810</u>

**19. Finance costs:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Bank charges	2,294	1,930
	<u>2,294</u>	<u>1,930</u>

**20. Other expenses:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Losses on exchange differences	5,097	860
	<u>5,097</u>	<u>860</u>

**21. Contingent liabilities:**

	<u>2019-20</u>	<u>2018-19</u>
	<u>AED</u>	<u>AED</u>
Employee visa guarantees	6,300	13,600

Except for the above and other ongoing business commitments against which no loss is expected, there has been no known contingent liability or commitments, as on reporting date.

**22. Events occurring after the reporting date:**

There were no other significant events occurring after the reporting date that would materially affect the working or the financial statements of the Company.

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Schedules to the Financial Statements for the year ended March 31, 2020

**Schedule 1 - Property, plant & equipment:**

Particulars	Amount in U.A.E. Dirhams (AED)		
	Furnitures & fixtures	Office equipments	Total
<b>Cost:</b>			
As at March 31, 2019	5,950	30,844	36,794
Additions	-	4,109	4,109
As at March 31, 2020	5,950	34,953	40,903
<b>Accumulated depreciation:</b>			
As at March 31, 2019	(5,950)	(30,844)	(36,794)
For the year	-	(1,256)	(1,256)
As at March 31, 2020	(5,950)	(32,100)	(38,050)
<b>Net value- March 31, 2020</b>	-	<b>2,853</b>	<b>2,853</b>
<b>Net value- March 31, 2019</b>	-	-	-