Mold-Tek Packaging FZE

United Arab Emirates

Financial Statements

(Year Ended December 31, 2019)

INDEX TO THE FINANCIAL STATEMENTS

ESTABLISHMENT INFORMATION

Shareholder
Mold-Tek Packaging Limited, India

Manager
Mr. Saibaba Tata

Principle activities
The principal activities of the Establishment are "Trading in Plastic & Nylon Raw Materials ".

License no.
5013799

Business address
FAMC0204,
Service block,
Al Jazirah Al Hamra,
Al Hamra Industrial Zone-FZ,
Ras Al Khaimah, United Arab emirates

Banker
Citi Bank, Dubai, United Arab Emirates

Auditors
TRC PAMCO Middle East Auditing and Accounting
P O Box 94570, Dubai
Tel : +971- 04- 2298777
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Email : info@trcpamco.com

MOLD-TEK Packaging FZE

MANAGER'S REPORT

The management of "Mold Tek Packaging FZE" is pleased to present its report together with the financial statements and the audit report for the year ended December 31, 2019.

Business review

During the year, the Establishment has generated revenue of AED 2.9 million as compared to previous year's revenue of AED 6.5 million and incurred a loss of AED 2.5 million as compared to previous year loss of AED 2.2 million.

Principal activity

The principal activities of the Establishment are "Trading in Plastic & Nylon Raw Materials ".

Events subsequent to the balance sheet date

During the year, the shareholders of the Establishment has decided to wind up the operations and has started the withdrawal of the plant and equipment from the factory and transfered the equipment to related parties at fair value. The assets and liabilities are disclosed at the realisable value as on the reporting date. The management has determined that no material changes are required in the assets and liabilities as on the reporting date. The liquidation formalities with the authorities is under process.

Acknowledgement

The Establishment takes this opportunity to place on record their gratitude to the various government departments, banks, professionals and business associates for their continued assistance and support extended to the entity. The Establishment also wish to express their appreciation to the employees at all levels for their hard work, dedication & commitment.

For Mold-Tek Packaging FZE

Mr. Saibaba Tata
Manager
Ras Al Khaimah
May 30, 2020

مولد تك باكجينغ ليمتد
Ras Al Khaimah
U A E
Mold-Tek Packaging FZE

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P.O. Box : 328559, Ras Al Khaimah Economic Zone, Technology Park, Ras Al Khaimah - UAE

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Mold-Tek Packaging FZE
United Arab Emirates

Report on the audit of the financial statements of Mold-Tek Packaging FZE for the year ended December 31, 2019

Opinion

We have audited the accompanying financial statements of Mold-Tek Packaging FZE, UAE ("the Establishment"), which comprises the statement of financial position as at December 31, 2019, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Establishment as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) for Small and Medium Sized Entities.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA's). Our responsibilities under those standards are further described in the auditors responsibilities for the audit of the financial statements of our report. We are independent of the Establishment in accordance with the 'International Ethics Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other Ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of matter

Without qualifying our report emphasis is drawn to the following matters;

Note 2.4- The Establishment has incurred a loss of AED 2.52 million for the year ended December 31, 2019 (2018: AED 2.2 million) and the accumulated losses as on December 31, 2019 were AED 7.28 million (2018: AED 4.76 million) and the net deficit in the equity amounting to AED 1.82 million as at 31 December 2019 (2018 : Surplus of AED 0.69 million). Further, as on December 31, 2019, the company's current liabilities exceeded its current assets by AED 1.89 million (2018: AED 4.17 million).

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INDEPENDENT AUDITOR'S REPORT

Note 2.5 - The shareholders of the Establishment has decided to wind up the operations and has transferred the plant and equipment from the factory to the related parties at fair value. The assets and liabilities are disclosed at the realisable value as on the reporting date. The management has determined that no material changes are required in the assets and liabilities as on the reporting date and the adjustments to assets and liabilities will be done as and when the execution of the transactions takes place.

Note 5 - Establishment has initiated legal proceedings against certain debtors for recovery of long outstanding receivables. The receivables are accounted on a historical cost basis pending the final decision of the court.

Responsibilities of management and those charged with governance for the financial

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the Ras Al Khaimah Free Zone Authority, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the management is responsible for assessing the Establishment's ability to continue as a going concern, 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

Objectives of our audit 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's 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's, we exercise professional judgment and maintain professional skepticism through out the audit. We also:

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INDEPENDENT AUDITOR'S REPORT

- 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.

- 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.

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Statement of financial position as on December 31, 2019

	Notes	As on Dec 31, 2019	As on Dec 31, 2018
		Figures (in AED)	
ASSETS EMPLOYED			
Non current assets			
Property, plant and equipment - Net	3	44,459	8,734,196
		44,459	8,734,196
Current assets			
Advances, deposits and prepayments	4	35,013	307,714
Trade receivables	5	489,626	2,410,916
Due from related parties	6	-	690,818
Inventory	7	-	1,620,479
Other receivables	8	139,432	219,507
Cash and cash equivalents	9	190,566	34,316
		854,637	5,283,750
TOTAL ASSETS		899,096	14,017,946
FUNDS EMPLOYED			
Shareholders' funds			
Share capital		5,458,000	5,458,000
Accumulated losses		(7,280,779)	(4,764,937)
		(1,822,779)	693,063
Non current liabilities			
Bank borrowings	10	-	3,870,674
		-	3,870,674
Current liabilities			
Short term borrowings	11	-	5,186,772
Due to related party	12	2,368,356	2,156,312
Trade payable	13	314,665	1,973,545
Accruals and other payable	14	38,854	137,580
		2,721,876	9,454,209
TOTAL LIABILITIES		899,096	14,017,946

Annexed notes form an integral part of these financial statements.

For Mold-Tek Packaging FZE

Mr. Saibaba Tata
Manager
Ras Al Khaimah
May 30, 2020

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MOLD-TEK Packaging FZE

Statement of comprehensive income for the year ended December 31, 2019

	Notes	Year ended Dec 31, 2019	Year ended Dec 31, 2018
		Figures (in AED)	
REVENUE (A)			
Revenue from sale of goods		2,880,715	6,531,770
Less : Cost of sales	15	(3,638,309)	(6,595,125)
		(757,594)	(63,356)
EXPENDITURE (B)			
Administrative and general expenses	16	704,594	962,615
Depreciation		225,075	762,267
		929,669	1,724,882
Operational income/(loss) for the year (A-B)		(1,687,262)	(1,788,238)
Finance cost		(220,953)	(405,282)
Write back of liabilities not payable		25,805	-
Net loss on sale of asset		(633,433)	(11,343)
Net comprehensive income/(loss) for the year		(2,515,842)	(2,204,863)

Annexed notes form an integral part of these financial statements.

For Mold-Tek Packaging FZE

Mr. Saibaba Tata
Manager
Ras Al Khaimah
May 30, 2020

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MOLD-TEK Packaging FZE

Statement of cash flow for the year ended December 31, 2019

	Figures (in AED)	
	Year ended Dec 31, 2019	Year ended Dec 31, 2018
I. FROM OPERATING ACTIVITIES		
Net comprehensive income/(loss) for the year	(2,515,842)	(2,204,863)
Adjustments:		
Depreciation	225,075	762,267
Loss on sales of fixed assets	633,433	11,343
Cash flow before working capital changes	(1,657,335)	(1,431,253)
Working capital changes		
Decrease/(increase) in advance, deposits and prepayments	272,701	116,809
Decrease/(increase) in trade receivable	1,921,290	(540,592)
Decrease/(increase) in other receivable	80,075	(219,507)
Decrease/(increase) in inventory	1,620,479	(526,131)
Decrease/(increase) in due from related party	690,818	(690,818)
Increase/(decrease) in trade payables	(1,658,880)	641,531
Increase/(decrease) in accruals and other payable	(98,726)	11,040
Net cash flow generated from/(used in) operating activities (A)	1,170,423	(2,638,922)
II. FROM INVESTING ACTIVITIES		
Purchases of plant, property and equipment	-	(1,261,637)
Sale of property, plant and equipment	7,831,229	1,952,471
Capital work in progress transferred/(incurred)	-	801,246
Net cash flow generated from/(used in) investing activities (B)	7,831,229	1,492,080
III. FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(3,870,674)	(1,366,120)
Proceeds from short term loan	(5,186,772)	537,854
Net proceeds from unsecured loan	212,044	2,003,894
Net cash flow generated from/(used in) financing activities (C)	(8,845,402)	1,175,628
Net increase/(decrease) in cash and cash equivalents (A+B+C)	156,250	28,787
Cash and cash equivalents at beginning of the year	34,316	5,529
Cash and cash equivalents at end of the year	190,566	34,316
CASH & CASH EQUIVALENTS		
Cash in hand	-	34,316
Cash at bank	190,566	-
Cash and cash equivalents as per cash flow statement	190,566	34,316

Annexed notes form an integral part of these financial statements.
For Mold-Tek Packaging FZE

Mr. Saibaba Tata
Manager
Ras Al Khaimah
May 30, 2020

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Statement of changes in equity for the year ended December 31, 2019

(Amount in AED)

Particulars	Share capital	Accumulated losses	Total
As at January 01, 2018	5,458,000	(2,560,074)	2,897,926
Net comprehensive loss for the year	-	(2,204,863)	(2,204,863)
As on December 31, 2018	5,458,000	(4,764,937)	693,063
Net comprehensive loss for the year	-	(2,515,842)	(2,515,842)
As on December 31, 2019	5,458,000	(7,280,779)	(1,822,779)

Annexed notes form an integral part of these financial statements.

For Mold-Tek Packaging FZE

Mr. Saibaba Tata
Manager
Ras Al Khaimah
May 30, 2020

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Significant accounting policies to the financial statements for the year ended December 31, 2019

These financial statements have been prepared for the year ended December 31, 2019

1. LEGAL STATUS, ACTIVITIES AND MANAGEMENT

1.1 Legal status

Mold Tek Packaging FZE was incorporated as a Free Zone Establishment with Limited Liability bearing Registration No. RAKFTZA-FZE-4016196. The Establishment was formed on January 12, 2016 in accordance with the implementing regulations regarding the formation of a Free Zone Establishment. The registered address of the Establishment is Al Hamra Industrial Zone-FZ, Ras Al Khaimah, United Arab Emirates.

The registered office of the Establishment is located in the Emirates of Ras Al Khaimah.

As per the Memorandum & Articles of Association and its subsequent amendments: the issued, subscribed and paid up capital of the Establishment as on Dec 31, 2019 is AED 5,458,000 (United Arab Emirates Dirham Five Million Four Hundred and Fifty Eight Thousand only) divided into 5,458 shares of AED 1,000 and all the shares are held by the shareholder(s) as mentioned below:

Shareholder	Country of incorporation	Shares (in nos.)	Amount (AED)	%
Mold-Tek Packaging Limited	India	5,458	5,458,000	100%
Total		**5,458**	**5,458,000**	**100%**

1.2 Activities

The principal activities of the Establishment are "Trading in Plastic & Nylon Raw Materials ".

1.3 Management

The day to day activities is fully controlled and managed by Mr. Saibaba Tata, Indian National holding passport no: Z3172194 and also manager of the Establishment as per trade license.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC).

The financial statements are prepared under the historical cost convention.

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Significant accounting policies to the financial statements for the year ended December 31, 2019

2.2 Adoption of new and revised international financial reporting standards (IFRS)

(a) Application of new or amended accounting standards and interpretations

The Establishment has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards and Interpretations are most relevant to the Establishment:

i IFRS 16 Leases: The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of -use assets and corresponding lease liabilities are recognized in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognized lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBIDA (Earnings Before Interest, Depreciation and Amortization) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

ii Amendments to IFRS 9 Prepayment Features with Negative Compensation: The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (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, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

(b) New and amended pronouncements in issue but not yet mandatory or early adopted

The Establishment has not applied the following new or amended standards and interpretations that have been issued by the IASB but are not yet mandatory for the financial year ended December 31, 2019 (the list does not include information about new or amended requirements that are not relevant to the Establishment). The Establishment has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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Significant accounting policies to the financial statements for the year ended December 31, 2019

i Amendments to IAS 1 and IAS 8 (issued in October 2012 to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves): The amendments, effective for annual reporting periods beginning on or after 1 January 2020, clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Establishment's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments is not expected to have any material impact on the financial statements of the Establishment in the year of their initial application.

2.3 Use of estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future periods affected.

2.4 Accumulated losses

The Establishment has incurred a loss of AED 2.52 million for the year ended December 31, 2019 (2018: AED 2.2 million) and the accumulated losses as on December 31, 2019 were AED 7.28 million (2018: AED 4.76 million) and the net deficit in the equity amounting to AED 1.82 million as at 31 December 2019 (2018 : Surplus of AED 0.69 million). Further, as on December 31, 2019, the company's current liabilities exceeded its current assets by AED 1.89 million (2018: AED 4.17 million).

2.5 Winding up of operations

The shareholders of the Establishment has decided to wind up the operations and has transferred the plant and equipment from the factory to the related parties at fair value. The assets and liabilities are disclosed at the realisable value as on the reporting date. The management has determined that no material changes are required in the assets and liabilities as on the reporting date and the adjustments to assets and liabilities will be done as and when the execution of the transactions takes place.

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Significant accounting policies to the financial statements for the year ended December 31, 2019

2.6 Revenue recognition

Revenue from the goods are recognized as per the requirement of IFRS 15. Revenue is recognized when the performance obligations are met as per the contracts.

Revenue is recognized at the transaction price mutually agreed between parties. Transaction price is the amount of consideration that an entity expects to be entitled to in exchange for transferring promised goods or services to a customer.

2.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets.

Assets	Useful life of assets
Leasehold improvement	5 - 10 years
Plant and machinery	15 years
Electrical and other equipment	10 years
Furniture and fittings	10 years
Office equipment's	5 years
Computers	5 years
Motor vehicles	8 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the statement of comprehensive income as the expense is incurred.

An item of property and equipment is derecognized upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

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

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Significant accounting policies to the financial statements for the year ended December 31, 2019

2.8 Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2.9 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

2.10 Value Added Tax

Value Added Tax (VAT) asset/ liability is recognized in the books on the basis of regulations defined by Federal Tax Authority (FTA).

Expenses and assets are recognized net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;

- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the financial statements.

2.11 Inventories

Inventories are valued at the lower of cost and net realizable value as required by IAS 2.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Accounts payable and accruals

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

2.13 Provisions

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

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Significant accounting policies to the financial statements for the year ended December 31, 2019

2.14 Employees' end of service benefits

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

2.15 Leases

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 of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, 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 of use assets is depreciated on a straight-line basis over the shorter of its useful life and the lease term.

Lease liabilities

At the commencement date of the lease, the Establishment recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Establishment uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

2.16 Foreign currencies

Transactions in foreign currencies are initially recorded by the Establishment at the currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

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Significant accounting policies to the financial statements for the year ended December 31, 2019

2.17 Financial assets

Initial recognition and subsequent measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Establishment's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Establishment has applied the practical expedient, the Establishment initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Establishment has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

a). Financial assets at amortized cost (debt instruments);

b). Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);

c). Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) ;and

d). Financial assets at fair value through profit or loss.

(a) Financial assets at fair value through OCI (debt instruments)

The Establishment measures debt instruments at fair value through OCI if both of the following conditions are met:

a). The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

b). The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding .

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Establishment's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

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(b) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Establishment can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Establishment benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

(d) Financial assets at amortized cost (debt instruments)

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

a). The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

b). The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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(e) Derecognition of financial assets

A financial asset is primarily derecognized when:

I).The rights to receive cash flows from the asset have expired; Or

II).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.

(f) Impairment of financial assets

The Establishment recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Establishment expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Establishment applies a simplified approach in calculating ECLs. Therefore, the Establishment does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Establishment has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Establishment applies the low credit risk simplification. At every reporting date, the Establishment evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Establishment reassesses the internal credit rating of the debt instrument.

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2.18 Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Establishment's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

(b) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Establishment that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Establishment has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Establishment. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profiter loss.

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(c) Derecognition of financial liabilities

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

2.19 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

2.20 Share capital

Proceeds from issuance of ordinary shares are recognized as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.21 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Establishment; or

(b) a present obligation that arises from past events but is not recognized because;

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Establishment.

Contingent liabilities and assets are not recognized on the balance sheet of the Establishment, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

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Significant accounting policies to the financial statements for the year ended December 31, 2019

The preparation of the Establishment's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future years.

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Notes to the financial statements for the year ended December 31, 2019

3. PROPERTY, PLANT AND EQUIPMENT

(Amount in AED)

Particulars	Leasehold improvements	Plant & machinery	Electrical & other equipment	Furniture and fixtures	Office equipment	Computer	Motor vehicle	Total
Cost:								
As on January 01, 2019	73,273	9,024,394	620,310	49,906	77,106	19,774	162,723	10,027,485
Additions for the year	-	-	-	-	-	-	-	-
(Disposals) for the year	(73,273)	(9,024,394)	(620,310)	(49,906)	(77,106)	(19,774)	(87,950)	(9,952,712)
As on December 31, 2019	-	-	-	-	-	-	**74,773**	**74,773**
Depreciation:								
As on January 01, 2019	19,726	1,070,662	110,127	8,135	26,530	11,549	46,560	1,293,289
for the year	7,697	160,034	29,843	2,438	7,535	3,507	14,021	225,075
(Disposals) for the year*	(27,423)	(1,230,696)	(139,970)	(10,573)	(34,065)	(15,056)	(30,267)	(1,488,050)
As on December 31, 2019	-	-	-	-	-	-	**30,314**	**30,314**
Net value								
As on December 31, 2019	-	-	-	-	-	-	**44,459**	**44,459**
As on December 31, 2018	53,547	7,953,732	510,183	41,771	50,576	8,225	116,163	8,734,196

* During the year, the Establishment has decided to close the operations and property, plant an equipment are transferred to the related company at fair value.

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Notes to the financial statements for the year ended December 31, 2019

	(Amount in AED)	
	As on Dec 31, 2019	As on Dec 31, 2018
4. ADVANCES, DEPOSITS AND PREPAYMENTS		
Advances to suppliers	-	5,015
Security deposits	**35,013**	171,888
Advance to custom department	-	62,071
Advances to employees	-	40,081
Prepayments	-	28,659
	35,013	307,714

5. TRADE RECEIVABLE

Accounts receivable	**561,062**	2,410,916
Less: Excepted credit loss (ECL)	**(71,436)**	-
	489,626	2,410,916

Establishment has initiated legal proceedings against certain debtors for recovery of long outstanding receivables. The receivables are accounted on a historical cost basis pending the final decision of the court.

Ageing of trade receivables as on December 31, 2019 is as follows:

Less than 180 days	-	2,113,893
More than 180 days	**561,062**	297,023
	561,062	2,410,916

6. DUE FROM RELATED PARTIES

M/s Mold-Tek Packaging Ltd, Annaram	-	690,818
	-	690,818

The amount due from the related party is not interest bearing, and are receivable on demand.

7. INVENTORY

Stock of raw material and consumables	-	1,620,479
	-	1,620,479

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Notes to the financial statements for the year ended December 31, 2019

		(Amount in AED)	
		As on Dec 31, 2019	As on Dec 31, 2018
8.	**OTHER RECEIEVABLE**		
	VAT Input receivable	**139,432**	171,617
	Custom duty receivable	-	47,890
		139,432	219,507

Establishment is following up with Federal Tax Authority, UAE for the refund of VAT input.

9.	**CASH AND CASH EQUIVALENTS**		
	Cash in hand	-	34,316
	Cash at bank	**190,566**	-
		190,566	34,316
10.	**BANK BORROWINGS**		
	Term loan from Citibank N.A., UAE	-	3,870,674

The Establishment has availed term loan of AED 5,464,481 in October 2016 from Citibank N.A, UAE. The loan is repaid fully during the year. Interest rate on the term loan is 3 month EIBOR plus 1.75% p.a.

Term loan is secured against

a. Stand By Letter of Credit (SBLC) of AED 5,464,481 from Citibank India.

b. Assignment of stock insurance policy in favour of Citibank.

c. Pledge/charge over the specific assets and machineries owned by the Establishment

11.	**BANK BORROWINGS - SHORT TERM**		
	Overdraft facility with bank	-	5,186,772

The Establishment has availed combined facility of term loan and overdraft of AED 10,928,962 (Previous year : AED 10,928,962) from Citibank N.A., UAE. Interest rate on the overdraft facility is 1 month EIBOR plus 1.75% p.a. with respect to minimum interest of 2.75%. The loan is repaid fully during the year.

12.	**DUE TO RELATED PARTY**		
	M/s Moldtek Packaging Limited, India	**2,368,356**	2,156,312

Loan from related party is interest bearing, unsecured and does not have a fixed repayment schedule.

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Notes to the financial statements for the year ended December 31, 2019

	(Amount in AED)	
	As on Dec 31, 2019	As on Dec 31, 2018
13. TRADE PAYABLE		
Trade creditors	**314,665**	1,973,545
	314,665	1,973,545
Break up of trade payables is as follows:		
Due to related parties	**309,153**	1,741,022
Due to non related parties	**5,513**	232,523
	314,665	1,973,545
14. ACCRUALS AND OTHER PAYABLE		
Advances from customer	**35,802**	21,090
Salary and expenses payable	**2,137**	98,925
Other expenses payable	**915**	17,565
	38,854	137,580

	(Amount in AED)	
	Year ended Dec 31, 2019	Year ended Dec 31, 2018
15. COST OF GOODS SOLD		
Opening balance of stock	**1,620,479**	1,094,348
Add: Purchases and direct expenses	**2,017,830**	7,121,256
Less: Closing stock	-	(1,620,479)
	3,638,309	6,595,125
16. ADMINISTRATIVE AND GENERAL EXPENSES		
Selling and distribution expenses	**288,676**	502,294
Other expenses	**167,335**	176,453
Repair and maintenance	**111,118**	202,858
Professional and consultancy expense	**107,520**	28,021
Insurance	**20,866**	41,561
Bank charges	**9,079**	11,429
	704,594	962,615

17. FINANCIAL INSTRUMENTS

Financial instruments mean financial assets, financial liabilities and equity instruments. Financial assets of the entity includes cash and bank balances, advances, accounts receivable and due from related parties. Financial liabilities include accounts payable, dues to related parties and accruals.

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Notes to the financial statements for the year ended December 31, 2019

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts at balance sheet date.

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed. The primary risks to which the business is exposed, comprise credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks and fair value interest rate risks).

a. Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the end of the reporting period. The Establishment has no significant concentration of credit risk. Cash balance is held with high credit quality financial institutions and the Establishment has policies to limit the amount of credit exposure to any financial institution. Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the end of the reporting period. The Establishment has no significant concentration of credit risk. Cash balance is held with high credit quality financial institutions and the Establishment has policies to limit the amount of credit exposure to any financial institution.

The Establishment's bank account are placed with high credit quality financial institution. The Establishment manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. Credit risk is limited to the carrying value of financial assets in the balance sheet.

The maximum exposure to credit risk at the end of the reporting year is:

Figures (in AED)

	As on Dec 31, 2019	As on Dec 31, 2018
Advances, deposits and prepayments	**35,013**	307,714
Trade receivables	**489,626**	2,410,916
Due from related parties	**-**	690,818
Inventory	**-**	1,620,479
Other receivables	**139,432**	219,507
	664,071	5,249,434

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Notes to the financial statements for the year ended December 31, 2019

b. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the Establishment's functional currency. The Establishment does not have any significant currency risk as the Establishment's transactions are mainly in United Arab Emirate Dirham (AED) and US Dollar (USD).

c. Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to change in market interest rates. The Establishment has income and operating cash flows are substantially independent of the changes in market interests rates. The borrowings from banks are interest bearing at float rate , but warrant no significant interest risk for the establishment due to a reasonable stable economic condition of the economy.

d. Capital risk management

The Establishment manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Establishment's overall strategy remains unchanged during the period.

e. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from inability to sell a financial asset quickly at close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The following are the contractual maturities of financial liabilities:

(Figures in AED)

	Carrying value	Within 1 year	1 to 5 years	More than 5 years
As on Dec 31, 2019				
Due to related party	2,368,356	2,368,356	-	-
Trade payable	314,665	314,665	-	-
Accruals and other payable	38,854	38,854	-	-
	2,721,876	**2,721,876**	-	-

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Notes to the financial statements for the year ended December 31, 2019

(Figures in AED)

	Carrying value	Within 1 year	1 to 5 years	More than 5 years
As on Dec 31, 2018				
Short term borrowings	5,186,772	5,186,772	-	-
Due to related party	2,156,312	2,156,312	-	-
Trade payable	1,973,545	1,973,545	-	-
Accruals and other payable	137,580	137,580	-	
	9,454,209	**9,454,209**	-	-

18. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING DATE

During the year, the shareholders of the Establishment has decided to wind up the operations and has started the withdrawal of the plant and equipment from the factory and transfered the equipment to related parties at fair value. The assets and liabilities are disclosed at the realisable value as on the reporting date. The management has determined that no material changes are required in the assets and liabilities as on the reporting date. The liquidation formalities with the authorities is under process.

19. CONTINGENT LIABILITIES

During the previous years, the Establishment has filed VAT return with incorrect interpretation of VAT Law. Due to this, the Establishment may be subjected to fines/penalties from Federal Tax Authority, UAE. The Establishment is in the process of submitting Voluntary Disclosure with Federal Tax Authority and actual fines/penalties will be known after filing the Voluntary Disclosure.

20. CAPITAL COMMITMENTS

The Establishment manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Establishment's overall strategy remains unchanged during the year.

21. Balances with debtors and creditors are subject to confirmation and reconciliation. Adjustments in this regard shall be carried out as and when ascertained which in view of management is not expected to be material.

22. RELATED PARTY TRANSACTIONS

The Establishment enters into transactions with companies and entities that fall within definition of a related party as contained in International Accounting Standard 24 Related Party Disclosures. Related parties comprises companies and entities under common ownership and/ or common management and control and key management personnel. All the related parties transactions are on armed length terms.

Notes to the financial statements for the year ended December 31, 2019

Relationship, transactions with related parties and balances due to or from related parties are as follow:

NAME OF THE RELATED PARTY	RELATIONSHIP
M/s. Moldtek Packaging Limited, India	Parent company
M/s. Moldtek Packaging Limited, Daman	Under common control
M/s. Mold-Tek Packaging Ltd, Annaram	

(Amount in AED)

		Year ended Dec 31, 2019	Year ended Dec 31, 2018
A.	**Transactions during the year**		
	M/s. Moldtek Packaging Limited, India		
	Net Fund transferred	**1,874,336**	2,003,894
	Purchases and expenses	**42,467**	572,358
	Interest expense on loan	**33,085**	55,054
	Expenses written back	**137,561**	-
	Transfer from Moldtek Packaging Limited-Daman	**716,520**	-
	M/s. Moldtek Packaging Limited, Daman		
	Sales	**36,056**	-
	Sale of property, plant and equipment	**2,914,688**	-
	Fund received (Net)	**3,667,264**	-
	Transfer of balance to Moldtek Packaging Limited	**716,520**	-
	M/s. Mold-Tek Packaging Ltd, Annaram		
	Sale of goods	**682,747**	-
	Sale of property, plant and equipment	**4,916,541**	690,818
	Fund received (Net)	**6,290,106**	-
B.	**Amount due from/due to related parties at the end of the year**		
	Amount due to M/s. Moldtek Packaging Limited, India		
	Loan payable	**2,335,271**	2,101,258
	Trade payable	**309,153**	1,741,022
	Interest payable	**33,085**	55,054
		2,677,509	3,897,334
	Amount due from Mold-Tek Packaging Ltd, Annaram		
	Sale of property, plant & equipment	-	690,818
		-	690,818

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Notes to the financial statements for the year ended December 31, 2019

23. SEGMENT REPORTING

There are no separate business line to be reported as per the management and hence, there are no reportable business segment.

24. KEY SOURCES OF ESTIMATION UNCERTAINTY

a. Useful lives of property and equipment

The Establishment's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

b. Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

c. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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Notes to the financial statements for the year ended December 31, 2019

25. GENERAL

a. Figures in the financial statements are rounded off to the nearest United Arab Emirates Dirham.

b. In the opinion of the management, all the assets as on December 31, 2019 as shown in the financial statement are existing and realizable at the amount shown against them, and there are no liabilities against the concern, contingent or otherwise, not included in the above financial statements.

c. Previous year figures are regrouped and (or) reclassified, wherever necessary for better presentation of financial statements and they are shown for comparison purposes only.

For Mold-Tek Packaging FZE

Mr. Saibaba Tata
Manager
Ras Al Khaimah
May 30, 2020

مولد تك باكجينغ ليميتد
Ras Al Khaimah U.A.E.
Mold-Tek Packaging FZE

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