

**ZODIAC CLOTHING COMPANY
(U. A. E.) LLC**

Financial Statements

31 March 2019

Registered Office:

P.O. Box 50545
Dubai, U.A.E.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Financial Statements

31 March 2019

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ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Director's Report

Your directors hereby submit their report and accounts for the year ended 31 March 2019.

Results and dividend

The profit for the year amounted to AED 4,622/-. The interim dividend of AED 3,488,875/- was declared and has been paid on 28 March 2019.

Review of the business

The company is registered for manufacturing of ready-made garments and trading in ready-made garments. During the year, the company was solely engaged in trading of ready-made garments.

During the year, the company has invested in its 100% subsidiary, namely, Zodiac Clothing Bangladesh Limited, Bangladesh incorporated on 22nd November 2018.

Events since the end of the year

There were no important events, which have occurred since the year-end that materially affect the company.


Shareholders and their interests

The shareholders at 31 March 2019 and their interests as of that date in the share capital of the company were as follows:

<u>Name of shareholders</u>	<u>Nationality /Country of incorporation</u>	<u>No. of shares</u>	<u>AED</u>
Mrs. Muna Mahmood Mohd. Mahmood	U.A.E.	153	153,000
M/s. Zodiac Clothing Company S.A.	Switzerland	<u>147</u>	<u>147,000</u>
		<u>300</u>	<u>300,000</u>

Auditors

A resolution to re-appoint **KSI Shah and Associates** as auditors and fix their remuneration will be put to the members at the annual general meeting.


 Mr. Mohamed Anees Noorani
 Director



Independent Auditors' Report to the Shareholders/Directors' of ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **ZODIAC CLOTHING COMPANY (U.A.E.) LLC** (the "Company"), which comprises of the statement of financial position as at 31 March 2019, and the 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 explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 31 March 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the UAE, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information

Management is responsible for the other information. Other information comprises the director's report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

Independent Auditors' Report to the Shareholders/Directors' of ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Report on the Audit of the Financial Statements (contd.)

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.

Independent Auditors' Report to the Shareholders/Directors' of ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Report on the Audit of the Financial Statements (contd.)


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

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

Report on Other Legal and Regulatory Requirements

Further as required by the UAE Federal Law No (2) of 2015, we report that:

- i) we have obtained all the information necessary for the purpose of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No (2) of 2015, and the articles of association of the company;
- iii) the company has maintained proper books of account;
- iv) the financial information in the Director's Report is consistent with the books of account of the company;
- v) the company has not made any investments in shares and stocks during the year ended 31 March 2019;
- vi) note 20 reflects material related party transactions and terms under which they were conducted;
- vii) based on the information 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 31 March 2019 any of the applicable provisions of the UAE Federal Law No (2) of 2015 or of its activities which would materially affect its activities or its financial position as at 31 March 2019.


For KSI Shah & Associates
Dubai, U.A.E.
Signed by:
Sonal P. Shah (Registration No. 123)



4 May 2019

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Statement of Financial Position

At 31 March 2019


	<u>Notes</u>	<u>2019</u> <u>AED</u>	<u>2018</u> <u>AED</u>
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,107,663	958,425
Intangible asset	8	-	-
Investment in a subsidiary	9, 20	45,268	-
		<u>1,152,931</u>	<u>958,425</u>
Current assets			
Inventories	10	256,735	779,520
Trade and other receivables	11	12,218,750	15,984,145
Prepayments		42,682	46,804
Due from the related parties	20	5,529,600	5,582,741
Cash and bank balances	12	3,962,645	1,416,435
		<u>22,010,412</u>	<u>23,809,645</u>
TOTAL ASSETS		<u>23,163,343</u>	<u>24,768,070</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	300,000	300,000
Statutory reserve	14	150,000	150,000
Accumulated profits		19,239,666	22,723,919
Total equity funds		<u>19,689,666</u>	<u>23,173,919</u>
Non-current liabilities			
Staff end of service gratuity		19,831	15,694
Retention payable		26,018	26,018
		<u>45,849</u>	<u>41,712</u>
Current liabilities			
Trade and other payables	15, 20	1,002,686	571,160
Bank borrowing	16	1,749,135	-
Due to the related parties	20	676,007	981,279
		<u>3,427,828</u>	<u>1,552,439</u>
TOTAL EQUITY AND LIABILITIES		<u>23,163,343</u>	<u>24,768,070</u>

The accompanying notes 1 to 28 form an integral part of these financial statements.


The Independent Auditors' Report is set forth on pages 2 to 4.

Approved by the shareholders on 4th May 2019 and signed on their behalf by;

For ZODIAC CLOTHING COMPANY (U.A.E.) LLC


Mr. Mohamed Anees Noor
Director




Mrs. Muna Mahmood Mohd. Mahmoud
Director & Shareholder

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Statement of Comprehensive Income
for the year ended 31 March 2019

	<i>Notes</i>	<i>2019</i> <i>AED</i>	<i>2018</i> <i>AED</i>
Continuing operations:			
Sales	17	5,525,574	7,915,409
Cost of sales	18, 20	<u>(5,394,019)</u>	<u>(7,213,035)</u>
Gross profit		131,555	702,374
Foreign currency exchange gain		14,032	318,788
Other income		627,208	505,605
Expenses	19, 20	<u>(737,285)</u>	<u>(834,801)</u>
Profit from the operations		35,510	691,966
Finance costs	20, 21	<u>(21,930)</u>	<u>(28,315)</u>
Profit for the year from continuing operations		13,580	663,651
Discontinued operations:			
(Loss)/profit for the year from discontinued operations	23	<u>(8,958)</u>	<u>22,375</u>
Profit for the year		4,622	686,026
Other comprehensive income		-	-
Total comprehensive income for the year		<u>4,622</u>	<u>686,026</u>

The accompanying notes 1 to 28 form an integral part of these financial statements.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Statement of Changes in Equity
for the year ended 31 March 2019

	<i>Share capital <u>AED</u></i>	<i>Statutory reserve <u>AED</u></i>	<i>Accumulated profits <u>AED</u></i>	<i>Total <u>AED</u></i>
As at 31 March 2017	300,000	150,000	25,157,893	25,607,893
Dividend paid during the year	-	-	(3,120,000)	(3,120,000)
Profit for year	-	-	686,026	686,026
As at 31 March 2018	300,000	150,000	22,723,919	23,173,919
Dividend paid during the year	-	-	(3,488,875)	(3,488,875)
Profit for year	-	-	4,622	4,622
As at 31 March 2019	<u>300,000</u>	<u>150,000</u>	<u>19,239,666</u>	<u>19,689,666</u>

The accompanying notes 1 to 28 form an integral part of these financial statements.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Statement of Cash Flows
for the year ended 31 March 2019

	<i>Notes</i>	<i>2019</i> <u>AED</u>	<i>2018</i> <u>AED</u>
<u>Cash flows from operating activities</u>			
Profit for the year		4,622	686,026
Adjustment for:			
Depreciation		158,250	143,297
Profit on sale of fixed assets		(1,710)	(3,605)
Loss on dissolution of a subsidiary		-	56,760
Finance costs		21,930	28,315
Provision for staff end of service gratuity		4,137	4,754
Operating profit before working capital changes		187,229	915,547
Changes in inventories		522,785	(339,997)
Changes in trade and other receivables and prepayments		3,769,517	(270,686)
Changes in due from/due to related parties (net)		(252,131)	2,581,564
Changes in trade and other payables		431,526	(240,995)
Cash flow generated from operations		4,658,926	2,645,433
Finance cost paid		(21,930)	(28,315)
Staff end of service gratuity paid		-	(22,598)
Net cash from operating activities		<u>4,636,996</u>	<u>2,594,520</u>
<u>Cash flows from investing activities</u>			
Payments made for investment in a subsidiary		(45,268)	-
Purchase of property, plant and equipment		(209,030)	(11,000)
Proceeds from sale of equipment		1,710	3,605
Payments for capital work in progress		(98,458)	(325,483)
Changes in long term loans to subsidiaries (net)		-	80,973
Changes in retention payable		-	26,018
Changes in margin and fixed deposit accounts		(3,657,500)	6,000
Net cash (used in) investing activities		<u>(4,008,546)</u>	<u>(219,887)</u>
<u>Cash flows from financing activities</u>			
Dividend paid to the shareholder		(3,488,875)	(3,120,000)
Proceeds from bank borrowings		1,749,135	-
Net cash (used in) financing activities		<u>(1,739,740)</u>	<u>(3,120,000)</u>
Net changes in cash and cash equivalents		(1,111,290)	(745,367)
Cash and cash equivalents at beginning of the year		<u>1,290,435</u>	<u>2,035,802</u>
Cash and cash equivalents at end of the year	22	<u>179,145</u>	<u>1,290,435</u>

The accompanying notes 1 to 28 form an integral part of these financial statements.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

(Incorporated in the Emirate of Dubai)

Notes to the Financial Statements

for the year ended 31 March 2019

1. Legal status and business activity

- a) ZODIAC CLOTHING COMPANY (U.A.E.) LLC ("The Company") is a limited liability company registered on 20 November 1996 under industrial license no. 301266 in the Emirate of Dubai in accordance with the provisions of the U.A.E. Commercial Companies Law No. 2 of 2015.
- b) The company is registered for manufacturing of ready-made garments and trading in ready-made garments. During the year, the company was solely engaged in trading of ready-made garments.
- c) During the year, the company has invested in its 100% subsidiary, namely, Zodiac Clothing Bangladesh Limited, Bangladesh incorporated on 22nd November 2018.

During the previous year, a 100% subsidiary of the company, namely, Zodiac Clothing Co. INC, U.S.A., had been dissolved effective 15 June 2017 and approved by State of Delaware on 15 June 2017.

- d) The shareholders of the company are Mrs. Muna Mahmood Mohd. Mahmoud (U.A.E. National) (51%) and M/s. Zodiac Clothing Company S.A. (Switzerland) (49%).

2. Basis of preparation

- a) These financial statements do not include the financial statements of its subsidiary companies. The consolidated financial statements for the group are prepared by the ultimate holding company Zodiac Clothing Company Limited, India.

b) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2018 and the applicable requirements of the Company Commercial Law number 2 of 2015.

c) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain financial assets and financial liabilities which are being measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety as described below:

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements for the year ended 31 March 2019

Basis of measurement (contd.)

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

d) Functional and presentation currency

These financial statements are presented in U.A.E. Dirhams, which is the company's functional and presentation currency.

3. Use of estimates and judgement

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Judgments made in applying accounting policies

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Revenue from contracts with customers

- Timing for transfer of control of goods

In case of performance obligation satisfied at point in time, the control of goods is transferred, when physical delivery of the goods to the agreed location has occurred, as a result, the company has a present right to payment and retains none of the significant risks and rewards of the goods.

- Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year from the due date. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Impairment

At each reporting date, management conducts an assessment of all property, plant and equipment to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC**Notes to the Financial Statements**
*for the year ended 31 March 2019***Key sources of estimation uncertainty and assumptions**

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

Residual values of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Estimated useful life of property, plant and equipment

Management determines the estimated useful lives and depreciation charge for its property, plant and equipment at the time of addition of the assets and is reviewed on annual basis.

Carrying value of intangible assets

Carrying values of the intangible assets are assessed for premiums as commanded by the market forces on a periodic basis. Based on such assessments the premiums are reduced to their estimated market valuation.

Inventory provision

Management regularly undertakes a review of the company's inventory, in order to assess the likely realization proceeds, taking in account purchase and replacement prices, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

Provision for expected credit losses of trade receivables and contract assets

The loss allowances for financial assets are based on assumptions about the risk of default and expected loss rates. The management uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Impairment of non-financial assets

Assessments of net recoverable amounts of property, plant and equipment, intangible assets and investments are based on assumptions regarding future cash flows expected to be received from the related assets.

Fair value measurements and valuation processes

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The directors of the company determine the appropriate valuation techniques and inputs for fair value measurements.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC**Notes to the Financial Statements**
*for the year ended 31 March 2019**Fair value measurements and valuation processes (contd.)*

In estimating the fair value of an asset or liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation. The directors ensure that the appropriate valuation techniques are employed to measure fair value and these are regularly reviewed to understand the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 25.

*Revenue from contracts with customers***i. Determining the transaction price:**

The Company's revenue is from sale of goods is derived from fixed price contracts with customers and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Based on the historical performance of the company, it is highly probable that there will not be reversal of previously recognized revenue on account of the return of goods or volume rebates.

ii. Allocating the transaction prices:

There is a fixed unit price for each item sold to the customer. Therefore, there is no judgment involved in allocating the contract price to each unit ordered in contracts with customers. Where a customer orders more than one item, the Company is able to determine the split of the total contract price between each item by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

iii. Provision of rights to return goods, volume rebates and other similar obligations:

The Company reviews its estimate of expected returns at each reporting date on basis of the historical data for the returns, rebates and other similar obligations and updates the amounts of the asset and liability accordingly.

Staff end-of-service gratuity

The company computes the provision for the liability to staff end-of-service gratuity assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite affects.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements

for the year ended 31 March 2019

4. Adoption of new and revised International Financial Reporting Standards

a) New and revised International Financial Reporting Standards

The following International Financial Reporting Standards, amendments thereto and interpretations issued by IASB that became effective for the current reporting period and which are applicable to the company are as follows:

- IFRS 9 - Financial Instruments
- IFRS 15 – Revenue from contracts with customers
- Clarifications to IFRS 15- Revenue from contracts with customers
- IFRIC Interpretation 22-Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40- Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 1 and IAS 28 as per annual improvements to IFRS standards 2014-16 cycle

During the current year, the management has adopted the above standards and amendments to the extent applicable to them from the financial reporting period commencing on or after 1 January 2018.

The significant impacts of IFRS 9, IFRS 15 and other amendments as listed above on the amounts reported and their presentation are disclosed wherever applicable.

b) International Financial Reporting Standards issued but not effective

IFRS 16 – Leases – The effective date of the standard is set for annual periods beginning on or after 1 January 2019.

IFRS17 -Insurance Contracts- The effective date of the standard is set for annual periods beginning on or after 1 January 2021.

IFRIC23-uncertainty of Income Tax Position- The effective date of the interpretation is set for annual periods beginning on or after 1 January 2019.

Amendments to IFRS9-Prepayment features with negative compensation. The effective date of the amendment is set for annual periods beginning on or after 1 January 2019.

Amendments to IAS 28- Long term interests in Associates and Joint Ventures. The effective date of the amendment is set for annual periods beginning on or after 1 January 2019.

Amendments to IFRSs- Annual improvements to IFRS Standards 2015-17 Cycle.

Amendments to IAS19-Plan amendments, curtailments or settlements. The effective date of the amendment is set for annual periods beginning on or after 1 January 2019.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements for the year ended 31 March 2019

International Financial Reporting Standards issued but not effective (contd.)

Amendments to IFRS10 and IAS 28-Sale or contribution of assets between an investor and its associate or joint venture. These amendments will apply when they become effective.

The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5. Significant Changes in the current reporting period

a) IFRS 9 Financial Instruments

The Company has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by transitional provisions of IFRS 9, the Company elected not to restate the comparative figures. Any adjustments to carrying amounts of financial assets and liabilities at the date of transitions were recognized in opening retained earnings and other reserves of the current year.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 - Financial Instruments: Disclosures.

There is no material impact on adoption of IFRS 9 in the financial statements at the adoption date and the reporting date, however the presentation and disclosure requirements of IFRS 9 have been dealt with as relevant to the Company.

b) IFRS 15 Revenue from contracts with customers:

This standard on revenue recognition replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" and related interpretations.

IFRS 15 is more perspective, provides detailed guidance on revenue recognition and reduced the use of judgment in applying revenue recognition policies and practices as compared to the replaced IFRS and related interpretations.

Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods or services.

IFRS 15 also includes a comprehensive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Company has assessed that the impact of IFRS 15 is not material on the financial statements of the company as at the adoption date and the reporting date.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements for the year ended 31 March 2019

6. Significant accounting policies

a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated by equal annual installments over their estimated useful lives as under:

Factory building	10 years
Plant and machinery	8 years
Furniture and office equipment	10 years
Vehicles	5 years

Depreciation on additions is calculated on a pro-rata basis from the month of additions and on deletion up to the month of deletion of the asset.

Capital work in progress is stated at cost less accumulated impairment, if any and is transferred to respective items of property and equipment as and when available for intended use. No depreciation is charged on capital work-in-progress.

b) Intangible asset

Intangible asset represents goodwill for the excess of the purchase price over the fair value of tangible and identifiable intangible assets and liabilities of business acquired. Goodwill paid will be amortised over a period of ten years on pro rata basis.

c) Investment in a subsidiary

Subsidiary is an entity (investee) which is controlled by another entity (the Parent or the Investor). The control is based on whether –

- The Investor has power over the investee
- It is exposed to rights of variable returns and
- It has the ability to use its power to affect the amount of the returns.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

Investment in subsidiaries was stated at cost less provision for impairment if any. Income from investment in subsidiaries is accounted only to the extent of receipt of distribution of accumulated net profits of subsidiary. Distributions received in excess of such profits are considered as a recovery of investments and are recorded as a reduction of the cost of investments.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC**Notes to the Financial Statements***for the year ended 31 March 2019***d) Financial instruments****Recognition and Initial measurement**

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs that are directly attributable in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified as follows:

Financial assets at amortised cost (debt instruments)

Financial assets that are held within a business model whose objective is to hold the asset in order to collect contractual cash flows that are solely payments of principal and interest are subsequently measured at amortised cost less impairments, if any. Interest income calculated using effective interest rate (EIR) method and impairment loss, if any are recognised in the statement of profit and loss. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes, trade receivables, due from the related parties and cash and cash equivalents. Due to the short term nature of these financial assets; their carrying amounts are considered to be the same as their fair value.

Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)

Financial assets that are held within a business model whose objective is achieved by both holding the asset in order to collect contractual cash flows that are solely payments of principal and interest and by selling the financial assets, are subsequently measured at fair value through other comprehensive income. Changes in fair value are recognized in the other comprehensive income (OCI) and on derecognition, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss. Interest income calculated using EIR method and impairment loss, if any are recognised in the statement of profit and loss.

Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC**Notes to the Financial Statements***for the year ended 31 March 2019****Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)(contd.)***

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

Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories are subsequently measured at fair value through profit or loss. Changes in fair value and income on these assets are recognised in the statement of profit and loss. 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 amortised 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 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.

Classification and subsequent measurement of financial liabilities

For the purpose of subsequent measurement, financial liabilities are classified as follows:

- Amortised cost - Financial liabilities are classified as financial liabilities at amortised cost by default. Interest expense calculated using EIR method is recognised in the statement of profit and loss.
- Fair values through profit or loss (FVTPL) - Financial liabilities are classified as FVTPL if it is held for trading, or is designated as such on initial recognition. Changes in fair value and interest expense on these liabilities are recognised in the statement of profit and loss.

The company's financial liabilities include trade and other payables, due to the related parties and short term bank borrowings. The carrying amounts of financial liabilities are considered as to be the same as their fair values, due to their short term nature.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements for the year ended 31 March 2019

Derecognition of financial assets and financial liabilities

Financial assets are de-recognised when, and only when,

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

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company 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.

Expected credit losses are recognised in two stages.

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

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

ZODIAC CLOTHING COMPANY (U.A.E.) LLC**Notes to the Financial Statements**
*for the year ended 31 March 2019***e) Inventories**

Raw materials (consisting of leftover) and finished ready-made garments goods are valued at the lower of cost and net realisable value.

Cost comprises of material cost, labour and attributable overheads.

Net realisable value is based on estimated selling price less any estimated cost to completion and disposals.

f) Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount.

Where the carrying amount of an asset or cash generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognized in the Statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the Statement of comprehensive income.

g) Provision

Provisions are recognized when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

h) Staff end of service benefits

Provision is made for end-of-service gratuity payable to the staff, subject to the completion of a minimum service period, at the reporting date in accordance with the local labour laws.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC**Notes to the Financial Statements***for the year ended 31 March 2019***i) Value Added Tax**

The revenue, expenses and assets are recognized net of value-added tax (VAT). In case Input VAT paid to the supplier of asset or expense is not recoverable from the Federal Tax Authority, it is disclosed as part of asset acquired or expense incurred.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from or VAT payable to, Federal Tax Authority is disclosed as other payable or other receivable under current liabilities or current assets in the statement of financial position.

j) Revenue recognition**Sales of goods**

The company is in the business of trading of readymade garments.

Revenue from sale of goods is recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customers and have been accepted by the customers at their premises and there is no unfulfilled obligation that could affect customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer or the company has objective evidence that all criteria for acceptance have been satisfied.

The amount of revenue is shown as net of discounts, returns, other similar obligations and VAT as per the performance obligations determined as per the provisions of the contracts with customers.

Interest income

Interest income is presented as financial income where it is earned from financial asset that are held for cash management purposes.

k) Borrowing costs

Finance expense comprises interest expense on bank borrowings is recognised in tatement of Comprehensive Income.

l) Foreign currency transactions

Transactions in foreign currencies are converted into U.A.E. Dirhams at the approximate rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into U.A.E. Dirhams at the rate of exchange ruling at the reporting date. Resulting gain or loss is taken to the statement of comprehensive income.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements
for the year ended 31 March 2019

m) Cash and cash equivalents

Cash and cash equivalents for the purpose of the statement of cash flows comprise cash, bank balances in current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

n) Dividend

Dividend is paid out of accumulated profits, when declared.

7. Property, plant and equipment	Capital work in progress ^a AED	Factory building ^b AED	Plant and Machinery AED	Furniture and office equipment AED	Vehicles AED	Total AED
Cost						
As at 01.04.2018	325,483	4,174,658	494,811	679,072	182,500	5,856,524
Additions	98,458	209,030	-	-	-	307,488
Disposals	-	-	-	(10,950)	-	(10,950)
As at 31.03.2019	<u>423,941</u>	<u>4,383,688</u>	<u>494,811</u>	<u>668,122</u>	<u>182,500</u>	<u>6,153,062</u>
Depreciation						
As at 01.04.2018	-	3,819,803	494,776	428,093	155,427	4,898,099
Charge for the year	-	82,617	35	48,525	27,073	158,250
Relating to disposals	-	-	-	(10,950)	-	(10,950)
As at 31.03.2019	-	<u>3,902,420</u>	<u>494,811</u>	<u>465,668</u>	<u>182,500</u>	<u>5,045,399</u>
Net book value						
As at 31.03.2019						
	<u>423,941</u>	<u>481,268</u>	<u>-</u>	<u>202,454</u>	<u>-</u>	<u>1,107,663</u>
As at 31.03.2018	<u>325,483</u>	<u>354,855</u>	<u>35</u>	<u>250,979</u>	<u>27,073</u>	<u>958,425</u>

^a Represents amounts paid for factory building renovation of proposed additional office area to the existing ground floor and is expected to be ready for its intended use by December 2019 (refer note 27).

^b Factory building is constructed on leasehold land in name of U.A.E. national shareholder.

In the opinion of management, there was no impairment in respect of any of the property, plant and equipment items. Hence, the fair values of the property, plant and equipment at reporting date are the same as their net book values.

	2019 AED	2018 AED
8. Intangible asset		
Amount paid for acquiring business	<u>4,419,548</u>	<u>4,419,548</u>
Amortisation:		
Opening balance	<u>4,419,548</u>	<u>4,419,548</u>
Closing balance	<u>4,419,548</u>	<u>4,419,548</u>
Net book value	<u>-</u>	<u>-</u>

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements for the year ended 31 March 2019

	<u>2019</u> <u>AED</u>	<u>2018</u> <u>AED</u>
9. Investment in a subsidiary		
Zodiac Clothing Bangladesh Limited, Bangladesh (100 % shareholding) ^a 10,000 shares of BDT 100/- each (converted @ 22.088)	<u>45,268</u>	<u>-</u>
Zodiac Clothing Company Inc. U.S.A. (100 % shareholding (refer note 1 (c)) 10,000 shares of US \$ 1/- each (converted @ 3.672)		
Opening balance	-	36,720
Written off during the year on dissolution	<u>-</u>	<u>(36,720)</u>
	<u>-</u>	<u>-</u>
Total	<u>45,268</u>	<u>-</u>
<i>a Mrs. Muna Mahmood Mohd. Mahmood holds 1 share in Zodiac Clothing Bangladesh Limited, Bangladesh in trust for and on behalf of the company.</i>		
10. Inventories		
Finished inventories (leftover)	-	45,016
Trading inventories	<u>97,341</u>	<u>196,316</u>
	<u>97,341</u>	<u>241,332</u>
Goods in transit	<u>159,394</u>	<u>538,188</u>
	<u>256,735</u>	<u>779,520</u>
11. Trade and other receivables		
Trade receivables	1,587,811	1,877,047
Advance to suppliers	80,343	256,873
Deposits	196,969	205,343
Staff advance	5,000	-
Other receivables ^a	<u>10,348,627</u>	<u>13,644,882</u>
	<u>12,218,750</u>	<u>15,984,145</u>
<i>a Includes AED 10,278,665 /- (previous year AED 13,565,000/-) receivable on account of sale of subsidiary should be received on or before 31 March 2018 was extended to 31 March 2019 is now further extended to 31 March 2020, as agreed between the parties.</i>		
12. Cash and bank balances		
Cash on hand	1,132	1,659
Bank balance in:		
Current accounts	178,013	1,288,776
Fixed deposit accounts (refer note 16)	3,672,500	-
Margin accounts (refer note 26)	<u>111,000</u>	<u>126,000</u>
	<u>3,962,645</u>	<u>1,416,435</u>

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements
for the year ended 31 March 2019

	<u>2019</u> <u>AED</u>	<u>2018</u> <u>AED</u>
13. Share capital		
300 shares of AED 1,000 each	<u>300,000</u>	<u>300,000</u>
14. Statutory reserve		
Statutory reserve is created by allocating 10% of the net profit of the company as required by Article 103 of the UAE Commercial Companies Law No. 2 of 2015 concerning Commercial Companies in the UAE. The company discontinued such annual transfers as this reserve totals 50% of the paid up share capital. The reserve is not available for distribution except as provided in the Federal Law.		
	<u>2019</u> <u>AED</u>	<u>2018</u> <u>AED</u>
15. Trade and other payables		
Trade payables (refer note 20)	973,940	390,569
Advance from customer	3,497	3,497
Provision for leave salaries and air passage	12,420	5,442
Other payable	872	30,055
Accruals	<u>11,957</u>	<u>141,597</u>
	<u>1,002,686</u>	<u>571,160</u>
16. Bank borrowing		
Bank overdraft ^a	<u>1,749,135</u>	<u>-</u>
^a Bank overdraft is secured against fixed deposits (refer note 12).		
17. Sales		
Trading of shirts	<u>5,525,574</u>	<u>7,915,409</u>
18. Cost of sales		
Opening inventories	734,504	367,316
Purchase of trading shirts (refer note 20)	4,827,156	7,333,713
Other direct expenses	89,094	246,510
Closing inventories	<u>(256,735)</u>	<u>(734,504)</u>
	<u>5,394,019</u>	<u>7,213,035</u>
19. Expenses		
Salaries and other benefits	124,587	137,464
Selling and distribution expenses	161,573	205,131
Other administrative expenses (refer note 20)	292,875	292,149
Loss on dissolution of a subsidiary	-	56,760
Depreciation	<u>158,250</u>	<u>143,297</u>
	<u>737,285</u>	<u>834,801</u>

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements
for the year ended 31 March 2019
20. Related party transactions

For the purpose of these financial statements, parties are considered to be related to the company, if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making party financial and operating decisions, or vice versa, or where the company and the party are subject to common control and includes where the company has significant influence but not control, and generally does not have any controlling shareholding on the entity whose accounts are presented. Related party may be individuals or other entities.

The relationship of related parties is as under –

a) Major shareholders

1. Zodiac Clothing Company Limited, India
2. Zodiac Clothing Company SA, Switzerland
3. Mrs. Muna Mahmood Mohd. Mahmoud, Shareholder

b) Subsidiaries

1. Zodiac Clothing Bangladesh Limited, Bangladesh (*effective 22nd November 2018*)
2. Zodiac Clothing Company INC, USA (*till 15th June 2017*)

c) Companies under common management control

1. Zodiac Metropolitan Clothing Company GMBH, Germany
2. Zodiac Metropolitan Clothing Company GMBH, UK
3. Onward LLC, U.A.E.
4. Zodiac (UAE) Ajman LLC, U.A.E.

The nature of significant related party transactions and the amounts involved are as under:

	<i>Major shareholders</i>	<i>Subsidiaries</i>	<i>Companies under common management control</i>	<i>Total 2019</i>	<i>Total 2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Purchase of trading shirts (<i>refer note 18</i>)	4,827,156	-	-	4,827,156	7,059,626
Under other administrative expenses					
Management fees (<i>refer note 19</i>)	74,322	-	-	74,322	76,050
Others	-	-	-		14,191
Finance cost (<i>refer note 21</i>)	21,455	-	-	21,455	28,167
Other transactions					
Assets and liabilities transferred on dissolution of a subsidiary	-	-	-	-	19,694

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements
for the year ended 31 March 2019
Related party transactions (contd.)

At the reporting date balances with related parties were as follows:

	<i>Major shareholders</i>	<i>Subsidiaries</i>	<i>Companies under common management control</i>	<i>Total 2019</i>	<i>Total 2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Included under non-current assets:					
Investment in subsidiaries (<i>refer note 9</i>)	-	45,268	-	45,268	-
Included under current assets:					
Due from the related parties	182,135	9,100	5,338,365	5,529,600	5,582,741
Included under current liabilities:					
Trade payables (<i>refer note 15</i>)	920,650	-	-	920,650	386,002
Due to the related parties	676,007	-	-	676,007	981,279

The company also provides funds to related parties as and when required as working capital facilities without any interest.

	<i>2019 AED</i>	<i>2018 AED</i>
21. Finance costs		
To a bank	475	148
To shareholder (<i>refer note 20</i>)	<u>21,455</u>	<u>28,167</u>
	<u>21,930</u>	<u>28,315</u>
22. Cash and cash equivalents		
Cash on hand	1,132	1,659
Bank balance:		
Current accounts	<u>178,013</u>	<u>1,288,776</u>
	<u>179,145</u>	<u>1,290,435</u>
23. (Loss)/profit for the year from discontinued operations[#]		
Sales	36,058	49,566
Cost of sales	(45,016)	(27,191)
(Loss)/profit for the year from discontinued operations	<u>(8,958)</u>	<u>22,375</u>

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements
for the year ended 31 March 2019

(Loss)/profit for the year from discontinued operations (contd.)

	<i>2019</i>	<i>2018</i>
	<u>AED</u>	<u>AED</u>
Cash flows from discontinued operations		
Net cash from operating activities	36,058	49,566
Net cash flow from investing activities	-	-
Net cash flow from financing activities	-	-
Net cash from discontinued operations	<u>36,058</u>	<u>49,566</u>

[#] *Due to loss incurred in the manufacturing activities, the company discontinued its manufacturing operations during the year 2016-2017. Accordingly, results of manufacturing operations are reported as discontinued operations.*

24. Financial instrument risks

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

- a) Credit risk
- b) Market risk
- c) Liquidity risk

a) Credit risk

Financial assets, which potentially expose the company to concentrations of credit risk, comprise principally of bank balances, trade and other receivables and due from the related parties.

Trade and other receivables

As at 31 March 2019, the company's exposure on account of significant concentration of credit risk from trade receivables (*other than related parties*) situated within U.A.E amounted to AED 1,533,400/- due from a customer (*previous year AED 1,877,047/- due from two customers*).

There is no significant concentration of credit risk from trade receivables situated outside U.A.E. and outside the industry in which the company operates.

Bank balances

The company's bank balances in current, margin and fixed deposits accounts are placed with high credit quality financial institutions.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rate risk, exchange rate risk or other price risk, which will affect the company's income or the value of its holding of financial instruments.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements
for the year ended 31 March 2019

Market risk (contd.)

Financial instruments affected by market risk include financial assets in the form of loans and receivables only. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

Bank overdraft is at fixed rate of interest.

Exchange rate risk

Except for the following amounts there are no significant exchange rate risks as substantially all financial assets and financial liabilities are determined in U.A.E. Dirhams or US Dollars to which the Dirham is fixed:

	2019 Equivalent AED	2018 Equivalent AED
Foreign currency financial assets:		
Great Britain Pounds	-	1,068,828
Euro	-	1,392,950
Foreign currency financial liabilities:		
Swiss Francs	657,405	1,084,548

The following table illustrates the sensitivity of profit for a reasonable change in foreign exchange rates, with all other variables held constant at 31 March 2019 and 2018.

<i>Particulars</i>	<i>2019</i>			<i>2018</i>		
	<i>Balance</i> <i>AED</i>	<i>Change in</i> <i>currency</i> <i>rate in %</i>	<i>Effect on</i> <i>income</i> <i>statement</i> <i>AED</i>	<i>Balance</i> <i>AED</i>	<i>Change in</i> <i>currency</i> <i>rate in %</i>	<i>Effect on</i> <i>income</i> <i>statement</i> <i>AED</i>
Foreign currency assets						
<i>Euro</i> <i>currency</i>	-	-	-	1,068,828	+/- 4%	+/- 42,753
<i>GBP</i> <i>currency</i>	-	-	-	1,392,950	+/- 1%	+/- 13,930
Foreign currency liabilities						
<i>Swiss</i> <i>Francs</i> <i>currency</i>	657,405	+/-2%	+/- 13,148	1,084,548	+/- 0.20%	+/- 2,169

A change in currency rates are considered for the exchange rate have been determined based on the average market volatility in exchange rates in the year 2018-19 and 2017-18 over period of 12 months.

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Notes to the Financial Statements for the year ended 31 March 2019

c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet financial obligations as they fall due. The liquidity requirements are monitored on a regular basis by the shareholders and the management who ensure that sufficient funds are made available to the company to meet any future commitments.

25. Financial instruments: Fair values

The fair values of the company's financial assets, comprising of trade and other receivables, due from the related parties, and bank balances and financial liabilities, comprising of trade and other payables, due to the related parties and bank borrowings approximate their carrying values.

The following table analyses the company's financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

As on 31 March 2019	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
- Investment in a subsidiary	-	-	45,268	45,268
Total	<u>-</u>	<u>-</u>	<u>45,268</u>	<u>45,268</u>
As on 31 March 2018	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
- Investment in a subsidiary	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			2019	2018
			AED	AED

26. Contingent liability

Banker's letters of guarantees (refer note 12)	<u>111,000</u>	<u>126,000</u>
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27. Capital commitment

Improvements to factory building (refer note 7)	<u>317,322</u>	<u>364,072</u>
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28. Comparative figures

Previous year's figures have been regrouped/reclassified wherever necessary to conform to the presentation adopted in the current year.



**ZODIAC CLOTHING COMPANY SA,
Neuchâtel**

**Report of the Statutory Auditor
on the Limited Statutory Examination
to the General Meeting of Shareholders
Financial Statements 2018/2019**



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Report of the Statutory Auditor on the Limited Statutory Examination to the General Meeting of Shareholders of

ZODIAC CLOTHING COMPANY SA, Neuchâtel

As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of ZODIAC CLOTHING COMPANY SA for the year ended 31 March 2019.

These financial statements are the responsibility of the board of directors. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements and the proposed appropriation of available earnings do not comply with Swiss law and the company's articles of incorporation.

The proposed dividend has a substantial impact on the liquidity of Zodiac Clothing Company SA. It can only be considered appropriate under the condition that the liquidity will be available at the distribution date. Accordingly, we draw attention to note 3.2 of the financial statements describing that company's ability to pay the proposed dividend distribution is contingent on the reimbursement of a loan granted to Zodiac Clothing Company SA's affiliate.

KPMG SA

Valérie Reymond Benetazzo
Licensed Audit Expert
Auditor in Charge

Sofia da Silva
Licensed Audit Expert

Neuchâtel, 3 June 2019

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

ZODIAC CLOTHING COMPANY SA, Neuchâtel

Balance Sheet as of 31 March	Note	2018/2019	2017/2018
		CHF	CHF
ASSETS			
Current assets			
Cash and cash equivalents		981,050	882,188
Prepaid expenses and accrued income		33	33
		<u>981,083</u>	<u>882,221</u>
Non-current assets			
Financial assets (affiliated companies)		178,202	282,344
Investments	2.1	98,039	98,039
		<u>276,241</u>	<u>380,383</u>
TOTAL ASSETS		<u><u>1,257,324</u></u>	<u><u>1,262,604</u></u>

ZODIAC CLOTHING COMPANY SA, Neuchâtel

Balance Sheet as of 31 March	Note	2018/2019	2017/2018
		CHF	CHF
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Other short-term liabilities due to group companies		4,857	4,857
Accrued expenses and deferred income		9,500	10,700
		<u>14,357</u>	<u>15,557</u>
Shareholders' equity			
Share capital		250,000	250,000
Legal capital reserves			
- Reserves from capital contributions		50,000	50,000
Voluntary retained earnings			
- Accumulated profits			
- Accumulated profits brought forward		7,047	156,351
- Profit for the year		935,920	790,696
		<u>1,242,967</u>	<u>1,247,047</u>
TOTAL LIABILITIES		<u><u>1,257,324</u></u>	<u><u>1,262,604</u></u>

ZODIAC CLOTHING COMPANY SA, Neuchâtel

Income Statement	2018/2019	2017/2018
	CHF	CHF
INCOME		
Dividend income	947,436	805,000
Financial income	3,856	7,592
Other operating income	20,000	17,747
	<u>971,292</u>	<u>830,339</u>
EXPENSES		
Financial expenses	(597)	(344)
Other operating expenses	(31,354)	(33,889)
Direct taxes	(3,421)	(5,410)
	<u>(35,372)</u>	<u>(39,643)</u>
Profit for the year	935,920	790,696

Notes to the Financial Statements as of 31 March 2019

1. Principles

1.1 General aspects

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that to ensure the company's going concern, the company's financial statements may be influenced by the creation and release of hidden reserves.

1.2 Company affiliation and activity

The Company, which is registered in Neuchâtel (Switzerland), is a wholly owned subsidiary of Zodiac Clothing Company Ltd incorporated in Mumbai (India). The Company's activity is to provide management services to the group.

2. Disclosure on balance sheet and income statement items

2.1 Investments

Direct investments

Company name, domicile	Voting and capital rights in %		Capital in 1'000	
Zodiac Clothing Company (UAE) LLC, Dubai	100	100	AED 300	AED 300

The shareholders of the Company are Mrs. Muna Mahmood Mohd. Mahmoud (51%) and ZODIAC CLOTHING COMPANY SA (Switzerland) (49%). As per the mutual agreement between the shareholders Mrs. Muna Mahmood Mohd. Mahmoud is holding 51% shares for and on behalf of ZODIAC CLOTHING COMPANY SA (Switzerland) who is the beneficial owner.

3. Other information

3.1 Full-time equivalents

ZODIAC CLOTHING COMPANY SA does not have any employees.

3.2 Significant events after the balance sheet date

On 2 April 2019, the company granted a loan to its affiliate Zodiac Clothing Company UAE LLC in the amount of CHF 852,975 (USD 854,000). The company's ability to pay the proposed dividend is contingent on the reimbursement of this loan before the Shareholders' Annual General Meeting.

ZODIAC CLOTHING COMPANY SA, Neuchâtel

Proposed Appropriation of Available Earnings	2018/2019	2017/2018
	CHF	CHF
Retained earnings brought forward	7,047	156,351
Profit for the year	935,920	790,696
	<hr/>	<hr/>
Available earnings	942,967	947,047
	<hr/> <hr/>	<hr/> <hr/>

The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings:

Dividend	928,000	940,000
Extraordinary Dividend	–	–
To be carried forward	14,967	7,047
	<hr/>	<hr/>
	942,967	947,047
	<hr/> <hr/>	<hr/> <hr/>

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
OF
ZODIAC CLOTHING BANGLADESH LTD.
AS AT AND FOR THE PERIOD
FROM 22 NOVEMBER 2018 TO 31 MARCH 2019



AHMED MASHUQUE & CO., *Chartered Accountants*

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Business Alliance Associate of **Crowe Global**
www.crowe.com



**Independent Auditors' Report
to The Shareholders of
Zodiac Clothing Bangladesh Ltd.**

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Zodiac Clothing Bangladesh Ltd., which comprise the Statements of financial position as at 31 March 2019, the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows for the period then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2019 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994 and other applicable laws and regulation.

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 to the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with ethical requirement that are relevant to our audit of the financial statements in Bangladesh, 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs), the Company's Act 1994 and other applicable laws and regulations 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. The Companies Act, 1994 require the management to ensure effective internal audit, internal control and risk management functions of the Company.

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.

The Board of Directors are also responsible for overseeing the company's financial reporting process.

Auditors' Responsibility 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.



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

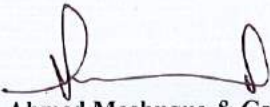
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994 we also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- c) the company's statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Dated, **21 MAY 2019**
Dhaka.


Ahmed Mashuque & Co.
Chartered Accountants

Ramath

Zodiac Clothing Bangladesh Ltd.
Statement of financial position
As at 31 March 2019

	<u>Notes</u>	<u>Amount in Taka</u> <u>31-Mar-2019</u>
<u>ASSETS</u>		
Non-current assets		-
Current assets		675,934
Cash and cash equivalents	4	675,934
Total assets		675,934
<u>EQUITY AND LIABILITIES</u>		
Shareholders equity		369,586
Share capital	5	1,000,000
Retained earnings		(630,414)
Current liabilities		306,348
Liability for expenses	6	306,348
Total shareholders equity and liabilities		675,934

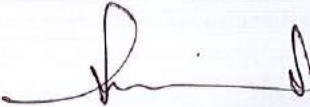
These financial statements should be read in conjunction with the annexed notes.

Chairman

Director

Signed in terms of our report of even date annexed.

Dated, **21 MAY 2019**
 Dhaka.


Ahmed Mashuque & Co.
Chartered Accountants



Zodiac Clothing Bangladesh Ltd.
Statement of profit or loss and other comprehensive income
For the period from 22 November 2018 to 31 March 2019

<u>Particulars</u>	<u>Amount in Taka</u> 22-Nov-18 to 31-Mar-19
Revenue	-
Less: Expenses	630,414
Office rent	40,000
License and registration	83,454
Legal and professional fees	442,175
Audit fees	57,500
Bank charges	7,285
Net profit/(loss) before tax	(630,414)
Income tax expenses	-
Net profit after tax	(630,414)

These financial statements should be read in conjunction with the annexed notes.

Chairman

Director

Signed in terms of our report of even date annexed.

Dated, **21 MAY 2019**
Dhaka.


Ahmed Mashuque & Co.
Chartered Accountants

Ranika



Zodiac Clothing Bangladesh Ltd.
Statement of changes in equity
For the period from 22 November 2018 to 31 March 2019

Amount in Taka

Particulars	Share capital	Retained earnings	Total
As at 22 November 2018	-	-	-
Addition during the period	1,000,000	(630,414)	369,586
As at 31 March 2019	<u>1,000,000</u>	<u>(630,414)</u>	<u>369,586</u>


These financial statements should be read in conjunction with the annexed notes.

Chairman

Director

Signed in terms of our report of even date annexed.

Dated, **21 MAY 2019**
Dhaka.


Ahmed Mashuque & Co.
Chartered Accountants





Zodiac Clothing Bangladesh Ltd.
Statement of cash flows
For the period from 22 November 2018 to 31 March 2019

<u>Particulars</u>	<u>Amount in Taka</u> 22-Nov-18 to 31-Mar-19
A Cash flows from operating activities	
Cash receipts from customers	-
Cash paid for operating expenses	(324,066)
<i>Net cash from operating activities</i>	<u>(324,066)</u>
B Cash flows from investing activities	
Acquisition of property, plant and equipment	-
<i>Net cash used in investing activities</i>	-
C Cash flows from financing activities	
Share capital	1,000,000
<i>Net cash flows from financing activities</i>	<u>1,000,000</u>
Net increase in cash and cash equivalents (A+B+C)	<u>675,934</u>
Add: Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	<u><u>675,934</u></u>

These financial statements should be read in conjunction with the annexed notes.

Chairman

Director

Signed in terms of our report of even date annexed.

Dated, **21 MAY 2019**
 Dhaka.



[Signature]
 Ahmed Mashuque & Co.
 Chartered Accountants

[Signature]

Zodiac Clothing Bangladesh Ltd.

Notes, comprising significant accounting policies and other explanatory information
As at and for the period from 22 November 2018 to 31 March 2019

1 Legal status and nature of the business

1.1 Legal status of the company

Zodiac Clothing Bangladesh Ltd. is a private limited company has been incorporated on 22 November 2018 in Bangladesh under the Companies Act, 1994 vide incorporation # C-148496/2018 with 100% foreign investment. The registered address of the company is located at Navana Obaid Eternia, 28-29, Kakrail, Level # 13, VIP Road, Dhaka, PO : 1000.

1.2 Nature of business

The main object of the company is to carry on the business of garments factory, import, export and supply of readymade garments and other commodities. The company has not started its operation.

2 Basis of preparation of these financial statements

The financial statement have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as well as the requirements of the Companies Act, 1994 and other relevant local laws and regulations as applicable.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the business accounting policies and reported amounts of assets, liabilities, income and expenses. The areas, involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed.

2.1 Components of financial statements

The Board of Directors is responsible for preparing the financial statements under section 183 of the Companies Act, 1994 and as per IAS-1 "Presentation of financial statements".

The financial statements comprise the following components:

- (i) Statement of financial position as at 31 March 2019;
- (ii) Statement of profit or loss and other comprehensive income for the period from 22 November 2018 to 31 March 2019;
- (iii) Statement of changes in equity for the period from 22 November 2018 to 31 March 2019;
- (iv) Statement of cash flows for the period from 22 November 2018 to 31 March 2019;
- (v) Notes, comprising significant accounting policies and other explanatory information as at and for the period from 22 November 2018 to 31 March 2019.

2.2 Basis of measurement

The financial statements have been prepared using the accrual basis. The company has adequate resources to continue its operation for the foreseeable future. For the reason all business operations have been reported in the financial statements on going concern basis.



2.3 Reporting currency and others

The figures in the financial statements represents Bangladeshi Taka, except where indicates otherwise. The amount has been rounded off to the nearest integer.

2.4 Statement of cash flows

Cash flows statement is prepared in accordance with IAS-7 "Statement of cash flows" and cash flow from operating activities have been presented under direct method.

2.5 Transactions in foreign currencies

Transactions in foreign currencies are converted into Bangladeshi Taka at the exchange rate prevailing on the date of transaction as per International Accounting Standard (IAS-21).

2.6 Reporting period

The financial period of the company has been determined to be from 01 April to 31 March of every year. These financial statements cover period from 22 November 2018 to 31 March 2019.

2.7 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2.8 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

3 Significant accounting policies

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents comprises of cash with banks.

3.2 Liabilities for expenses

The company recognizes a financial liability when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

3.3 Income tax provision

Provision for income tax has been made in line with the Income Tax Ordinance, 1984.



	<u>Taka</u>
	<u>31-Mar-2019</u>
4 Cash and cash equivalents	
Cash at bank (United Commercial Bank limited)	675,934
	675,934
5 Share capital:	
Authorized share capital:	30,000,000
(300,000 Ordinary shares @ Tk.100 each)	
Issued, subscribed & paid up share capital	1,000,000
(10,000 Ordinary shares @ Tk.100 each)	
Detail of issued, subscribed, and paid up capital is as follows:	
<u>Name of the shareholder</u>	
Zodiac Clothing Company (U.A.E.) LLC (9,999 Ordinary Shares of Tk. 100 each)	999,900
Mr. Muna Mahmood Mohammed Mahmood Alawadhi (1 Ordinary Shares of Tk. 100 each)	100
	1,000,000
6 Liability for expenses	
Zodiac Clothing Company (U.A.E.) LLC	205,281
Office rent	2,000
License and registration	4,817
Legal and professional fees	3,875
Audit fees	45,000
Duties and taxes	45,375
	306,348

7 General

Figures in the financial statements represent Bangladeshi currency and have been rounded off to the nearest Taka.

