ESSAR SHIPPING DMCC
DUBAI, UAE

Financial statements for the year ended March 31, 2022

ESSAR SHIPPING DMCC

DUBAI - UNITED ARAB EMIRATES

FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

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Independent Auditor's Report

To the shareholders of Essar Shipping DMCC, Dubai

Report on the audit of financial statements

Opinion

We have audited the accompanying financial statements of Essar Shipping DMCC ("the Company"), which comprise the statement of financial position as at **March 31, 2022**, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Essar Shipping DMCC, Dubai as at **March 31, 2022** and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of 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 other ethical requirements that are relevant to our audit of the company's 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 for our opinion.

Material Uncertainty related to Going concern

We draw attention to Note No. 1.1 of the accompanying financial statements, the company has excess of current liabilities over current assets to the extent of AED 52.27 million and has incurred a loss of USD 79.10 million 2021-22 (in 2020-21 USD 15.23 million). Consequent upon cancellation of BBCD of Vessels, loss amounting to USD 39.02 million has been booked in 2021-22. Also, the global spread of COVID-19 has led to an uncertain and unpredictable path ahead for all business across the sectors. The pandemic has especially hit the shipping industry hard with a drastic reduction in cargo movements worldwide. Company's future revenue is expected to be affected due to effect of COVID and renegotiation of existing contracts with major customers. All these events together cast material uncertainty to continue business as going concern.

However, during the year, the management has rescheduled its existing repayment schedules with existing lenders on the basis of future visible cash flows and renegotiated existing contracts with lenders and based on the business prospects of the company, the management is confident that it would be able to repay its obligations. Based on this, the financial statements have been prepared by the management on a going concern basis.

Our opinion on the financial statements is not modified for the above matter.

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To the shareholders of Essar Shipping DMCC, Dubai

Emphasis of matter

1. We draw your attention to Note No. 10 and 15 of accompanying financial statements, wherein the company disclosed net amount receivable and payable from parent company, Essar Shipping Limited, in spite of having separate obligations.
2. We draw your attention to Note No. 5, 6 and 12 of the accompanying financial statements, wherein during the year BBCD with Essar Shipping Ltd had been cancelled resulting in USD 51.71 million, being the written down value of 2 vessels (MV Manika and MV Maithli) in the books of Essar Shipping Limited, which had been recognized back as cost of vessels in the books of the company. Also, a loss of USD 39.02 million has been recognized on the cost of vessels during the period resulting in a net realizable value of vessels of USD 12.69 million being the amount agreed as per deed of novation dated June 30, 2021. During the year ended March 31, 2022, the vessels MV Manika and MV Maithli, has been sold to Seros Shipping Pvt. Ltd.
3. Cancellation of BBCD with Essar Shipping Limited also results in the lease receivables impairment by USD 29.73 million after adjusting cost of vessels taken back. The management has also decided to impair the total outstanding interest on finance lease receivable amounting to USD 9.86 million.

Our opinion on the financial statements is not modified for the above matter.

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 in compliance with the applicable provisions of the Company's Memorandum and Articles of Association 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.

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Independent Auditor's Report
To the shareholders of Essar Shipping DMCC, Dubai

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:

a) 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.

b) 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.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) 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.

e) 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.

f) 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, we report that:

a) the Company has maintained proper books of account;
b) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
c) the financial statements have been prepared and comply, in all material respects, with the International Financial Reporting Standards (IFRS);
d) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended March 31, 2022, any of the applicable provisions of its Memorandum and Articles of Association which would materially affect its activities or its financial position as at March 31, 2022.

For and on behalf of
CNK Hussain Alsayegh
Chartered Accountants

cnkhas

P.O. Box: 454442
DUBAI - U.A.E.
CNK HUSSAIN ALSAYEGH CHARTERED ACCOUNTANTS

Date: May 25, 2022
Place: Dubai, UAE

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ESSAR SHIPPING DMCC
DUBAI - UNITED ARAB EMIRATES

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2022
(Amount in US Dollars)

	Notes	As at March 31, 2022	As at March 31, 2021
NON CURRENT ASSETS			
Property, plant and equipment	**5**	-	63
Finance lease receivable	**6**	-	20,876,665
TOTAL NON CURRENT ASSETS		**-**	**20,876,728**
CURRENT ASSETS			
Accounts and other receivables	**7**	564,006	1,487,298
Inventories	**8**	-	498,909
Cash and cash equivalents	**9**	1,281,649	118,776
Due from related parties	**10**	12,175,339	9,688,084
Deposits, prepayments & advances	**11**	490,768	1,790,018
Assets Held for Sale	**12**	-	-
TOTAL CURRENT ASSETS		**14,511,762**	**13,583,085**
TOTAL ASSETS		**14,511,762**	**34,459,813**
EQUITY & LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		37,343,574	37,343,574
Retained earnings		(91,842,138)	(12,246,391)
TOTAL SHAREHOLDERS' EQUITY		**(54,498,564)**	**25,097,183**
NON CURRENT LIABILITIES			
End of Service Benefits	**13**	-	-
Non-Current Borrowings	**14**	1,726,000	-
TOTAL NON CURRENT LIABILITES		**1,726,000**	**-**
CURRENT LIABILITIES			
Current borrowings	**14**	740,000	4,258,573
Due to related parties	**15**	65,332,904	2,838,576
Accounts and other payables	**16**	1,211,422	2,265,481
TOTAL CURRENT LIABILITIES		**67,284,326**	**9,362,630**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**14,511,762**	**34,459,813**

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set out on page 1 to 4

FOR
ESSAR SHIPPING DMCC

ESSAR SHIPPING DMCC
License Number: DMCC - 407202 (DUBAI UAE) PO Box: 65371
إيسار شيبينغ م.د.م.س

ESSAR SHIPPING DMCC
DUBAI - UNITED ARAB EMIRATES

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2022
(Amount in US Dollars)

	Notes	2021-22	2020-21
REVENUES			
Revenue	**17**	21,831,697	28,811,899
Cost of revenue	**18**	(17,524,881)	(24,915,903)
GROSS PROFIT/(LOSS)		**4,306,816**	**3,895,996**
Indirect income	**19**	5,353,223	3,297,005
EXPENSES			
Finance cost	**20**	(8,824,472)	(21,670,373)
Indirect expenses	**21**	(1,828,386)	(761,970)
Impairment of Finance Lease Receivable	**22**	(39,585,599)	-
Loss on Cost of Vessels	**23**	(39,017,329)	-
TOTAL		**(89,255,786)**	**(22,432,343)**
Net Profit for the year		**(79,595,747)**	**(15,239,342)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(79,595,747)**	**(15,239,342)**

The accompanying notes form an integral part of these financial statements.
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FOR
ESSAR SHIPPING DMCC

ESSAR SHIPPING DMCC
DUBAI - UNITED ARAB EMIRATES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2022
(Amount in US Dollars)

CASH FLOW FROM OPERATING ACTIVITIES	**2021-22**	**2020-21**
Net profit / (Loss) for the year	(79,595,747)	(15,239,342)
Adjustment for :		
Depreciation	63	137
Finance cost	8,824,472	21,670,373
Operating cash flow before changes in net operating assets	**(70,771,212)**	**6,431,168**
(Increase) / Decrease in Current Assets		
Finance lease receivable	-	-
Accounts and other receivables	923,292	(326,339)
Inventories	498,909	(250,797)
Due from related parties	18,389,410	14,161,094
Deposits, prepayments & advances	1,299,250	641,268
Increase / (Decrease) in Current Liabilities & Provisions		
Current borrowings	(233,573)	233,573
Due to related parties	53,669,856	(21,815,856)
Accounts and other payables	(1,054,059)	(209,712)
Net cash flow from/(used in) operating activities	**2,721,873**	**(1,135,601)**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	-	-
Net cash flow (used in) investing activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loan	(1,559,000)	(175,000)
Net cash flow (used in) financing activities	**(1,559,000)**	**(175,000)**
Net (decrease) in cash and cash equivalents	**1,162,873**	**(1,310,601)**
Cash and cash equivalents at beginning of the year	118,776	1,429,377
CASH & CASH EQUIVALENT AT THE END OF THE YEAR	**1,281,649**	**118,776**

The accompanying notes form an integral part of these financial statements.
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2022
(Amount in US Dollars)

Particulars	Share capital	Retained earnings	Total
Balance as at April 1, 2020	**37,343,574**	**2,992,951**	**40,336,525**
Additions during the year	-	-	-
Transfer/Payments during the year	-	-	-
Net Profit /(Loss) for the year	-	(15,239,342)	(15,239,342)
Distribution	-	-	-
Balance as at March 31, 2021	**37,343,574**	**(12,246,391)**	**25,097,183**
Balance as at April 1, 2021	**37,343,574**	**(12,246,391)**	**25,097,183**
Additions during the year	-	-	-
Transfer/Payments during the year	-	-	-
Net Profit /(Loss) for the year	-	(79,595,747)	(79,595,747)
Distribution	-	-	-
Balance as at March 31, 2022	**37,343,574**	**(91,842,138)**	**(54,498,564)**

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set out on page 1 to 4

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ESSAR SHIPPING DMCC
DUBAI - UNITED ARAB EMIRATES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022
(Amount in US Dollars)

1 STATUS AND ACTIVITIES

ESSAR Shipping DMCC

ESSAR Shipping DMCC, is a 100% subsidiary of ESSAR Shipping Limited (India), a Foreign Company. The Subsidiary is registered with the Dubai multi Commodities Centre, Dubai, UAE vide Commercial License No. DMCC-402202 (Previously DMCC-069298). The License has been issued on the 10th day of August 2015.

The registered address of the establishment is Unit No: 102, Fortune Tower, Plot No: JLT-PH1-C1A, Jumeirah Lakes Towers, Dubai, UAE.

#	Shareholders	Nationality	No of Shares	Amount	%
1	ESSAR Shipping Limited (INDIA)	INDIAN	137,122	37,343,574	100
	Total		**137,122**	**37,343,574**	**100**

During the year the parent company, Essar Shipping Limited, vide the resolution dated December 8, 2022, has resolved for Mr, Ranjit Singh, Ketan Shah, Captain Rahul Bhargava and Mr. Saurabh Dhariwal to step down as directors and in place appoint Mr. Satyanarayanan Rankawat as the director. However, as on March 31, 2022, the director change process is still in process with the DMCC authority.

The establishment is engaged in the activity of ship charter, barges & tugs charter, sea freight & passengers charters.

As per share pledge agreement dated August 17, 2016 , Essar Shipping DMCC's 52% shares have been pledged in favor of Yes bank for SBLs issued to Essar Shipping Limited and the same are in custody of Mashreq bank.

1.1 GOING CONCERN

The company has excess of current liabilities over current assets to the extent of AED 52.27 million and has incurred a loss of USD 79.10 million 2021-22 (in 2020-21 USD 15.23 million). Consequent upon cancellation of BBCD of Vessels, loss amounting to USD 39.02 million has been booked in 2021-22. Also, the global spread of COVID-19 has led to an uncertain and unpredictable path ahead for all business across the sectors. The pandemic has especially hit the shipping industry hard with a drastic reduction in cargo movements worldwide. Company's future revenue is expected to be affected due to effect of COVID and renegotiation of existing contracts with major customers. All these events together cast material uncertainty to continue business as going concern.

However, during the year, the management has rescheduled its existing repayment schedules with existing lenders on the basis of future visible cash flows and renegotiated existing contracts with lenders and based on the business prospects of the company, the management is confident that it would be able to repay its obligations. Based on this, the financial statements have been prepared by the management on a going concern basis.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (' IFRSs')

(a) New and revised IFRS updates

The following new and revised IFRS, which became effective for annual periods beginning on or after January 01, 2021. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior years.

Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – interest rate benchmark (IBOR) reform

The Phase 2 amendments that were issued on 27 August 2020 address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform (for example, where lease payments are indexed to an IBOR rate).

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

(b) New and revised IFRS in issue but not yet effective and not early adopted

Narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 9 and IFRS 16 (Effective date 1 January 2022)

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 9, 'Financial instruments', and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Amendments to IAS 1, Presentation of financial statements' on classification of liabilities (Effective date 1 January

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (Effective date 1 January 2023)

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

(Amount in US Dollars)

New standards, amendments and interpretations not yet effective from January 1, 2021

New or revised pronouncement

Amendments to IAS 1- Presentation of Financial Statements (*Effective from Annual reporting periods beginning on or after 1 January 2023)*

Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to IFRS 3- Business Combinations *(Effective from Annual reporting periods beginning on or after 1 January 2022)*

Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

Amendments to IAS 16- Property, Plant and Equipment *(Effective from Annual reporting periods beginning on or after 1 January 2022)*

Property, Plant and Equipment — Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to IAS 37-Provisions, Contingent Liabilities and Contingent Assets (*Effective from Annual reporting periods beginning on or after 1 January 2022)*

Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards:

New standards and significant amendments to standards applicable to the Company	***Effective for periods beginning on or after***
IFRS-1 Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.	Annual periods beginning on or after January 1, 2022. Early application is permitted.

(Amount in US Dollars)

New standards and significant amendments to standards applicable to the Company (Continued…)	***Effective for periods beginning on or after***
IFRS-9- Financial Instruments- Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.	Annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 16 Leases Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.	The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.
IAS 41- Agriculture Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.	Annual periods beginning on or after January 1, 2022. Early application is permitted.

The Company is currently assessing the impact of these standards, interpretations and amendments on the financial statements and intends to adopt these, if applicable, when they become effective.

There are no other applicable new standards and amendments to published standards or International Financial Reporting Standards Interpretations Committee (IFRS IC) interpretations that have been issued but are not effective for the first time for the Company's financial year beginning on January 01, 2021 that would be expected to have a material impact on the financial statements of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are relevant to the operations of the Company.

3.2 ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and under accrual system of accounting. The accounting policies have been consistently applied by the establishment during the period under review.

3.3 PROPERTY, PLANT AND EQUIPMENT

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognized in the profit and loss account on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are as under:

Asset Class	Life (years)
Computers & software	3
Vessels	5

3.4 REVENUE RECOGNITION

The Company recognizes revenue from shipping services based on a five step model as set out in IFRS 15:

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

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

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which performance obligation is satisfied.

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

The Company has a singly main source of revenue and has assessed the impact of the adoption of IFRS 15 on its financial statements as follows:

Shipping services

The Company is primarily engaged in chartering and shipping services. The revenues for chartering are recognized based on fixed daily rate while shipping services are recognized as per hired days only or per voyage (per ton basis) depending on the contract or fixture note. The company does not provide warranties or discounts relating to the services rendered.

Management concluded that IFRS 15 would not have any impact on the Company’s financial statements as the current revenue recognition policy is in line with IFRS 15.

Advances received from customers

Generally, the Company receives only short-term advances from its customers. They are presented as part of trade and other payables. Accordingly, there are no financing components in the Company's contracts with customers.

3.5 ACCOUNTS RECEIVABLE

Accounts receivable represents amounts falling due as on the date of Balance Sheet. Bad debts are written off as and when they arise. Accounts receivables are stated net of provision for doubtful debts and discounts.

3.6 ACCOUNTS & OTHER PAYABLE

Payables are stated at nominal amounts payable for goods or services availed.

3.7 PROVISIONS

Provisions are recognized when the Company has a present obligation as a result of past event & it is probable that the outflow of resources will be required to settle the obligation.

3.8 FINANCIAL INSTRUMENTS

The company has adopted IFRS 9 effective from 1 April 2018. IFRS 9 replaces IAS 39 and addresses the accounting for financial instruments including hedge accounting. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVTOCI and FVTPL. IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The business model assessment was completed based on the facts and circumstances which existed at the initial date of application. IFRS 9 eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivative embedded contracts where the host is a financial asset in the scope of IFRS 9 are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. The requirements for classification and measurement of financial liabilities under IFRS 9 are largely as existing under IAS 39.

- **Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The financial assets at amortized cost consist of trade receivables, due from related parties and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

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

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to due from related parties and trade and other receivables are presented by reducing respective financial assets.

Trade receivables and contract assets

The ECLs were calculated based on actual credit loss experience over the past three years. The Company performed the calculation of ECL rates for other customers & related party receivables. Based on Company's overall assessment, the application of IFRS 9 has not resulted in additional impairment allowance.

3.8 FINANCIAL INSTRUMENTS (Contd…)

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at March 31, 2022 has not resulted in an additional impairment allowance.

3.9 FOREIGN CURRENCY

Functional and presentation currency

The financial statements are presented in US Dollars (USD), which is the Company's functional and presentation currency.

Transaction and balances

In preparing the financial statements of the Company, monetary assets and liabilities in foreign currencies are translated into US dollars at rates of exchange closely approximating to those ruling at the end of the reporting period and transactions in foreign currencies during the financial period are translated at rates ruling on transaction dates. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re translated.

Exchange differences arising on the settlement of monetary items, and on re-translation of monetary items are included in the statements of comprehensive income for the period. Exchange differences arising on the re-translation of non- monetary items carried at fair value are included in the statements of comprehensive income except for differences arising on the re-translation of non- monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

For consolidation purposes, the assets and liabilities of the foreign subsidiaries are translated at the rate of exchange ruling at the end of the reporting period and statements of comprehensive income items are translated at the average rate. The effects of translation are taken directly to foreign currency translation reserves within equity. Such translation differences are recognized in statements of comprehensive income in the period in which its subsidiary is disposed of.

3.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances.

3.11 CRITICAL ACCOUNTING JUDGEMENTS & KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates & assumptions that affect the application of accounting policies & the carrying amounts of assets, liabilities, income & expenses. The estimates & associated assumptions are based on historical experience and other factors that are considered to be relevant and reasonable under the circumstances.

Estimates & underlying assumptions are reviewed on a going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current & future periods.

3.12 RELATED PARTY TRANSACTIONS

The Company, in the ordinary course of its business, enters into trading and financing transactions with concerns which fall within the definition of "related party" as contained in International Accounting Standard 24. The balances due to/from such parties, which have been disclosed separately in the Notes to the financial statements, are unsecured and repayable on demand. The management believes that the terms of the trading transactions are not materially different from those that could have been obtained from unrelated parties.

3.13 LEASES

Policy applicable from April 1, 2019

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-incentives and SIC-27 Evaluating the Substance of Transactions involving the Legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single balance sheet model.

The company adopted IFRS 16 using the practical expedient with effect from the date of initial application of January 01, 2019. The company also elected to use the recognition exemptions for lease contracts at the commencement date for leases having term of 12 months or less and for lease contracts for which the underlying asset is of low value.

Treatment in the books of Lessee:

The company has lease contracts for office rent. Upon adoption of IFRS 16, the company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the company.

The company applied the available practical expedients wherein it;

(i) Used a single discount rate to a portfolio of leases with reasonably similar characteristics;

(ii) Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

Treatment as Leasee:

Leases previously accounted for as operating leases

The company has elected to recognize right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a Lease.

Right of use assets

The company recognizes right-of-use assets at the application date i.e. January 1, 2019. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement or lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made on or before the application date less any lease incentives received. Unless the company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. As the company has applied short term lease exemption, there is no significant impact on company's financial statement.

Lease Liabilities

At the application date of the lease, the company recognizes lease liabilities measured at the present value of lease payments to be made over the lease terms. The lease payments include fixed payments (Including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

3.13 LEASES (Contd…)

In calculating the present value of lease payments, the company uses the incremental borrowing rate on initial application date, if the interest rate implicit in the lease is not readily determinable. After the application date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying, amount of lease liabilities is measured prospectively if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease payments not recognized as liability and right of use asset as on date of initial application:

The Company has elected not to recognize a lease liability and right of use assets for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to payments not included in the measurement of the lease liability is as follows:

Particulars	Amount
Short term leases	15,374
Leases of low value assets	-
Variable lease payments	-
Total	**15,374**

Treatment as Lessor:

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other operating income'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

(Amount in US Dollars)

5 **PROPERTY, PLANT AND EQUIPMENT**	**Vessels**	**Computer and software**	**Total**
Asset Cost			
Balance as at April 1, 2020	**-**	**1,823**	**1,823**
Additions during the year	**-**	**-**	**-**
Deduction during the year	**-**	**-**	**-**
Balance as at March 31, 2021	**-**	**1,823**	**1,823**
Accumulated Depreciation			
Balance as at April 1, 2020	**-**	**1,623**	**1,623**
Depreciation for the period		137	**137**
Depreciation written back		**-**	**-**
Balance as at March 31, 2021	-	**1,760**	**1,760**
Asset Cost			
Balance as at April 1, 2021	**-**	**1,823**	**1,823**
Additions during the year	**51,715,458**	**-**	**51,715,458**
Loss on cancellation of Finance Lease	(39,017,329)		**(39,017,329)**
Transferred to assets held for sale	(12,698,129)		**(12,698,129)**
Deduction during the year	**-**	**-**	**-**
Balance as at March 31, 2022	**-**	**1,823**	**1,823**
Accumulated Depreciation			
Balance as at April 1, 2021	**-**	**1,760**	**1,760**
Depreciation for the period	**-**	63	**63**
Depreciation written back	**-**	**-**	**-**
Balance as at March 31, 2022	-	**1,823**	**1,823**
Net Book value			
As at March 31, 2022	**-**	**-**	**-**
As at March 31, 2021	**-**	**63**	**63**

During the year ended March 31, 2022, BBCD with Essar Shipping Ltd has been cancelled resulting in USD 51.71 million, being the written down value of 2 vessels (MV Manika and MV Maithli) in the books of Essar Shipping Limited, now recognized back as cost of vessels in the books of the company. Also, a loss of USD 39.02 million has been recognized on the cost of vessels during the period resulting in the net value of vessels to reduce to USD 12.69 million being the amount agreed as per deed of novation dated June 30, 2021. The deal has been completed and "Asset held for sale" now has been disposed off.

(Amount in US Dollars)

		As at March 31, 2022	As at March 31, 2021
6	**FINANCE LEASE RECEIVABLE**		
	MV Maanika	38,268,252	38,268,252
	MV Maithili	43,172,325	43,172,325
	Total (A)	**81,440,577**	**81,440,577**
	WDV of vessels taken back on cancellation of BBCD		
	- MV Manika	(24,356,072)	
	- MV Maithili	(27,359,386)	
	Total (B)	**(51,715,458)**	
	Impairment of Finace Lease Receivable* (C)	**(29,725,119)**	
	TOTAL (A+B+C)	-	
	Current finance lease receivable	-	22,731,833
	Less: Adjusted against payable to Essar Shipping Limited	-	(22,731,833)
	Sub Total (A)	**-**	**-**
	Non-Current finance lease receivable	-	58,708,744
	Less: Adjusted against payable to Essar Shipping Limited	-	(37,832,079)
	Sub Total (B)	**-**	**20,876,665**
	Total (A+B)	**-**	**20,876,665**

* The BBCD with Essar Shipping Ltd has been cancelled resulting in USD 51.71 million, being the written down value of 2 vessels (MV Manika and MV Maithli) in the books of Essar Shipping Limited, now adjusted to the lease receivables and balance USD 29.73 million recognised as impairment of finance lease receivable.

		As at March 31, 2022	As at March 31, 2021
7	**ACCOUNTS AND OTHER RECEIVABLES**		
	Due from customers	630,515	1,487,298
	Less Provision for Doubtful Receivables	(66,509)	-
	Interest receivables	9,860,481	9,182,314
	Less: Impairment of Interest on Finance Lease*	(9,860,481)	-
	Less: Payable to Essar Shipping Limited	-	(9,182,314)
	Closing Balance	**564,006**	**1,487,298**

* The BBCD with Essar Shipping Ltd has been cancelled and the management has decided to impair the total outstanding interest on finance lease receivable amounting to USD 9.86 million.
Management assessed the expected credit losses as prescribed by the requirements of IFRS 9 against accounts and other receivables and concluded that apart from USD 66,509 provided for doubtful receivables, there will not be any material impact on financial statements. Company has applied the simplified approach to measuring the expected credit losses which uses lifetime expected loss allowance for all accounts and other receivables.

ESSAR SHIPPING DMCC
DUBAI - UNITED ARAB EMIRATES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022
(Amount in US Dollars)

		As at March 31, 2022	As at March 31, 2021
8	**INVENTORIES**		
	Bunker and Fuel stock	-	498,909
	Closing Balance	**-**	**498,909**

		As at March 31, 2022	As at March 31, 2021
9	**CASH AND CASH EQUIVALENTS**		
	Cash in hand	-	-
	Cash at Bank	1,281,649	118,776
	Closing Balance	**1,281,649**	**118,776**

		As at March 31, 2022	As at March 31, 2021
10	**DUE FROM RELATED PARTIES**		
	Essar Capital Holding Ltd	12,952,587	10,033,800
	Provision for receivable from Essar Capital Holding Limited	(3,309,087)	(2,868,300)
	Energy II Limited	-	35,962
	Essar Energy Holding Limited	1,026,740	945,247
	Provision for receivable from Essar Energy Holding Limited	(126,740)	(45,247)
	Essar Capital (Mauritius) Limited	-	-
	Essar Minmet Ltd	683,332	689,634
	Provision for receivable from Essar Minmet Ltd	(610,087)	-
	OGD Services Limited	223,900	58,900
	Arkay Logistics Ltd – Vizag	9,590	-
	IDH International Drilling Holdco Limited	430,000	110,000
	Essar Shipping LTD	51,817,104	51,650,088
	Less: payable to Essar Shipping Limited*	(50,922,000)	(50,922,000)
	Closing Balance	**12,175,339**	**9,688,084**

*Company has offset advance receivables from parent company Essar Shipping Limited for sale of Smiti, against the due to related party Essar Shipping Limited for presentation purpose only.

Management assessed the expected credit losses as prescribed by the requirements of IFRS 9 against due from related parties and concluded that apart from provision for impaired due from related party amoutning to USD 1,132,367, there will not be any material impact on financial statements. Company has applied the simplified approach to measuring the expected credit losses which uses lifetime expected loss allowance for receivables due from related parties.

		As at March 31, 2022	As at March 31, 2021
11	**DEPOSITS, PREPAYMENTS & ADVANCES**		
	Deposits	1,842	1,842
	Prepayments	-	3,396
	Advance to supplier of services	488,926	1,784,780
	Closing Balance	**490,768**	**1,790,018**

(Amount in US Dollars)

12 ASSETS HELD FOR SALE	As at March 31, 2022	As at March 31, 2021
Opening Balance	-	-
Additions during the year	12,698,129	-
Disposals during the year	(12,698,129)	-
Closing Balance	-	-

13 END OF SERVICE BENEFITS	As at March 31, 2022	As at March 31, 2021
Opening Balance	-	-
Add: Provided during the year	16,430	-
Less: Paid during the year	-	-
Less: Reversed during the year	(16,430)	-
Closing Balance	-	-

14 BORROWINGS	As at March 31, 2022	As at March 31, 2021
Bank of Baroda, Dubai Branch	2,466,000	4,025,000
Interest accrued	-	233,573
Closing Balance	**2,466,000**	**4,258,573**
Current Borrowings	740,000	4,258,573
Non-Current Borrowings	1,726,000	-
	2,466,000	**4,258,573**

Company had availed term loan of USD 5.00 million from Bank of Baroda vide sanction letter dated April 3, 2017. This Loan was obtained by creating charge on receivables and assets to the extent of USD 5 mn. Principal amount of USD 4.02 million was overdue since 12.12.2017.

During the year, the bank has accepted the request for rescheduling by the company and agreed to a repayment plan of 41 installments of which 40 monthly installments extend up to F.Y. 2025-26 and one upfront installment of USD 1.8 million has been paid by the company before March 31, 2022. All other terms and conditions of the facility remain unchanged.

15 DUE TO RELATED PARTIES

The Company, in the ordinary course of its business, enters into trading and financing transactions with concerns which fall within the definition of "related party" as contained in International Accounting Standard 24. The balances due to/from such parties, which have been disclosed separately in the Notes to the financial statements, are unsecured and repayable on demand. The management believes that the terms of the trading transactions are not materially different from those that could have been obtained from unrelated parties.

	As at March 31, 2022	As at March 31, 2021
Essar Shipping LTD*	116,053,366	120,668,226
Less: Advance to Essar Shipping Limited towards purchase of SS Smiti	(50,922,000)	(50,922,000)
Less: Interest receivable from Essar Shipping Limited	-	(9,182,314)
Less: Current portion of finance lease receivable	-	(22,731,833)
Less: Non current portion of finance lease receivable	-	(37,832,079)
Sub Total (A)	**65,131,366**	-

(Amount in US Dollars)

15	**DUE TO RELATED PARTIES (Contd…)**	**As at March 31, 2022**	**As at March 31, 2021**
	Essar Bulk Terminal Limited	35,000	99,237
	Essar Shipping (Cyprus) Limited	-	2,736,669
	Equiptrans Logistics Pvt Ltd	-	170
	Energy II Limited	164,038	-
	Essar Capital (Mauritius) Ltd.	2,500	2,500
	Sub Total (B)	**201,538**	**2,838,576**
	Total (A+B)	**65,332,904**	**2,838,576**

*Payable to related parties includes USD 116,053,366 payable to Essar Shipping India Limited for SBLC given for Loan taken from Bank of India, New York branch and Axis bank Colombo branch by company for purchase of vessels.

16	**ACCOUNTS AND OTHER PAYABLES**	**As at March 31, 2022**	**As at March 31, 2021**
	Accounts payable	634,652	702,369
	Other payables	576,770	1,137,665
	Income received in advance	-	425,447
	Closing Balance	**1,211,422**	**2,265,481**

17	**REVENUE**	**2021-22**	**2020-21**
	Earning from chartering of vessels	21,831,697	28,811,899
	Total	**21,831,697**	**28,811,899**

18	**COST OF REVENUE**	**2021-22**	**2020-21**
	In-Chartering costs	17,524,881	24,915,903
	Total	**17,524,881**	**24,915,903**

19	**INDIRECT INCOME**	**2021-22**	**2020-21**
	Interest on ICD (ECHL and EEHL)	522,280	392,838
	Interest on finance lease	678,167	2,892,572
	Other Income	(12,700)	-
	Sundry balances written back	4,165,476	11,595
	Total	**5,353,223**	**3,297,005**

20	**FINANCE COST**	**2021-22**	**2020-21**
	Interest on borrowings	8,824,472	21,670,373
	Total	**8,824,472**	**21,670,373**

(Amount in US Dollars)

21 INDIRECT EXPENSES

	2021-22	2020-21
Bank charges	21,244	18,692
Salaries and staff benefits	67,264	113,612
Office expenses	96,270	30,924
Legal and professional fees	407,457	187,124
Insurance expenses	21,838	3,276
Provision for impaired due from related party	1,132,367	392,838
Sundry Balance Written Off	66,509	-
Bad debts written off	-	-
Depreciation	63	137
Rent	15,374	15,367
Total	**1,828,386**	**761,970**

22 IMPAIRMENT OF FINANCE LEASE RECEIVABLE

	2021-22	2020-21
Loss on Finance Lease	29,725,118	-
Loss on Interest of Finance Lease	9,860,481	-
Total	**39,585,599**	-

23 LOSS ON COST OF VESSELS

	2021-22	2020-21
Loss on Cost of Vessels	39,017,329	
Total	39,017,329	-

24 FINANCIAL INSTRUMENTS

	2021-22	2020-21
Financial Instruments by category		
Financial Assets		
Accounts and other receivables	564,006	1,487,298
Cash and cash equivalents	1,281,649	118,776
Due from related parties	12,175,339	9,688,084
Deposits	1,842	1,842
Financial Liabilities		
Current borrowings	740,000	4,258,573
Due to related parties	65,332,904	2,838,576
Accounts and other payables	1,211,422	2,265,481

Financial instruments means Financial Assets, Financial Liabilities and Equity Instruments. Financial Assets of the establishment include Finance lease receivable, Accounts receivables, Cash and cash equivalents, Due from related parties and Deposits. Financial Liabilities include Current borrowings, Due to related parties and Accounts and other payables.

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 main risk arising from the Company's financial instruments are Currency Risk, Credit Risk and Interest Rate Risk.

24 FINANCIAL INSTRUMENTS (Continued….)

a. Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's major exposure is in United States Dollar, Arab Emirates Dirhams and Indian Rupees and hence currency risk is present.

Currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Company also undertakes transactions in US Dollar which has been pegged against the United Arab Emirates Dirham ("AED"), hence no exchange risk is considered to exist for US Dollar.

b. Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial Assets, which potentially expose the establishment to credit risk, comprise mainly of bank accounts and receivables.

The establishment's bank accounts 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.

Credit Risk Management

Credit risk is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk from its financial assets which comprise principally of deposits, cash and cash equivalents, trade and other receivables, due from related parties. The credit risk on trade receivables is subjected to credit evaluations and an allowance may be made for estimated irrecoverable amounts. The Company is not exposed to any significant concentration of credit risk because its exposure is spread over financial institutions and related parties.

c. Interest Rate Risk

The company in the normal course of business, undertake facilities from reputable banks and other financial institutions at commercial rate of interest and hence is exposed to interest rate risk.

Interest rate risk management

The Company is exposed to interest rate risk on cash at bank (including time deposits), finance lease receivable and bank borrowings and due to related parties. Interest rate of finance lease receivable is fixed as per BBCD charter and company is dealing with reputable banks to minimize interest rate risk.

d. Impact of COVID-19 (Global pandemic)

The global spread of COVID-19 has led to an uncertain and unpredictable path ahead for all business across the sectors. The pandemic has especially hit the shipping industry hard with a drastic reduction in cargo movements worldwide. There has been a considerable reduction in revenue of the company. The company has evaluated its liquidity position and of recoverability and carrying values of its assets and have concluded that no material adjustments required at this stage in the stand-alone financial results.

(Amount in US Dollars)

24 FINANCIAL INSTRUMENTS (Continued….)

In addition to the historical pattern of credit loss, we have considered the likelihood of increased credit risk and consequential default considering emerging situations due to COVID-19. This assessment is not based on any mathematical model but an assessment considering the nature of verticals, impact immediately seen in the demand outlook of these verticals and the financial strength of the customers in respect of whom amounts are receivable. The Company has specifically evaluated the potential impact with respect to customers verticals which could have an immediate impact and the rest which could have an impact with a lag. The Company closely monitors its customers who are going through financial stress and assesses actions such as change in payment terms, discounting of receivables with institutions on no-recourse basis, recognition of revenue on collection basis etc., depending on severity of each case.
After assessing the above background, material volatility is not expected in the by the company due to COVID-19 Global pandemic.

25 CONTINGENT LIABILITY

The Indian Income tax department has raised demand notice amounting to USD 346,087 (INR 25,759,171) for AY 2018-19 & USD 21,717 (INR 2,193,949) for AY 2019-20 against the company. The company is in the process of responding and countering the said demand.

Particulars	**As at March 31, 2022**	**As at March 31, 2021**
Tax Demand	367,804	350,827
Total	**367,804**	**350,827**

26 SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no significant events occurring after the balance sheet date, which require disclosure in the financial statements.

27 PREVIOUS YEAR FIGURES:

Comparative figures for the previous period have been regrouped and reclassified, wherever necessary to confirm to the current period presentation.

28 ROUNDING OFF

The figures in these financial statements have been rounded to the nearest US Dollar.

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set out on page 1 to 4

For
ESSAR SHIPPING DMCC