Elgi Equipments Australia Pty Ltd

ABN: 14 151 312 613

Financial Report

For the year ended 31 March 2022

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ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

DIRECTORS' REPORT

The directors present their report together with the financial report of Elgi Equipments Australia Pty Ltd for the year ended 31 March 2022 and auditor's report thereon.

Directors names

The names of the directors in office at any time during or since the end of the year are:

Ramesh Muthuswamy Ponnuswami

Ramchandran Jayakanthan

Thomas Benedict Fyfe

Sriram Srinivas *(Resigned 9th Feburary 2022)*

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Principal activities

The principal activity of the company during the year was the sale of industrial air compressors.

No significant change in the nature of these activities occurred during the year.

Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

Likely developments

The company expects to maintain the present status and level of operations.

Results

The profit of the company for the year after providing for income tax amounted to $1,100,778 (2021: $1,011,974).

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Options

No options over unissued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the end of the year.

After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Indemnification of officers

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer of the company.

Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the board of directors.

Director: ______________________

Thomas Benedict Fyfe

R. Jayakanthan

Director: ______________________

Ramchandran Jayakanthan

Dated this 11th day of May 2022

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

The Directors
Elgi Equipments Australia Pty Ltd
3 Squill Place
Arndell Park NSW 2148

Auditor's Independence Declaration

In relation to the independent audit for the year ended 31 March 2022, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards).*

Pitcher Partners

PITCHER PARTNERS

DAN COLWELL
Partner

Brisbane, Queensland
11 May 2022

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 $	2021 $
Revenue and other income			
Revenue from contracts with customers	3	**7,510,843**	6,947,503
Other revenue	4	**1,781**	698
Other income	4	**7,211**	46,500
		7,519,835	6,994,701
Less: expenses			
Cost of goods sold		**(5,157,308)**	(4,797,727)
Employee benefits expense	5	**(563,789)**	(495,878)
Advertising and marketing expense		**(93,355)**	(68,480)
Finance costs		**-**	(63,460)
Depreciation and amortisation expense	5	**(7,921)**	(8,693)
Other expenses		**(124,922)**	(114,786)
		(5,947,295)	(5,549,024)
Profit before income tax expense		**1,572,540**	1,445,677
Income tax expense	6	**(471,762)**	(433,703)
Profit for the year		**1,100,778**	1,011,974
Other comprehensive income for the year		**-**	-
Total comprehensive income		**1,100,778**	1,011,974

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	2022 $	2021 $
Current assets			
Cash and cash equivalents	14	**194,887**	113,898
Receivables	7	**1,955,164**	1,127,596
Inventories	8	**2,820,066**	1,812,170
Other assets		**118,194**	94,951
Total current assets		**5,088,311**	3,148,615
Non-current assets			
Other financial assets		**957**	957
Plant and equipment	9	**3,404**	11,325
Deferred tax assets	6	**73,801**	66,621
Total non-current assets		**78,162**	78,903
Total assets		**5,166,473**	3,227,518
Current liabilities			
Payables	10	**2,935,800**	2,453,949
Provisions	11	**32,377**	42,739
Current tax liabilities	6	**593,490**	268,151
Contract liablities	12	**39,667**	2,733
Total current liabilities		**3,601,334**	2,767,572
Non-current liabilities			
Provisions	11	**18,739**	14,324
Total non-current liabilities		**18,739**	14,324
Total liabilities		**3,620,073**	2,781,896
Net assets		**1,546,400**	445,622
Equity			
Share capital	13	**100**	100
Retained earnings		**1,546,300**	445,522
Total equity		**1,546,400**	445,622

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Share capital $	Retained earnings / (accumulated losses) $	Total equity $
Balance as at 1 April 2020	100	(566,452)	(566,352)
Profit for the year	-	1,011,974	1,011,974
Total comprehensive income for the year	-	1,011,974	1,011,974
Balance as at 31 March 2021	100	445,522	445,622
Balance as at 1 April 2021	**100**	**445,522**	**445,622**
Profit for the year	**-**	**1,100,778**	**1,100,778**
Total comprehensive income for the year	**-**	**1,100,778**	**1,100,778**
Balance as at 31 March 2022	**100**	**1,546,300**	**1,546,400**

The accompanying notes form part of these financial statements.

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 $	2021 $
Cash flow from operating activities			
Receipts from customers		**7,342,725**	7,609,286
Government grants - JobKeeper		-	46,500
Payments to suppliers and employees		**(7,108,133)**	(5,741,090)
Income tax paid		**(153,603)**	-
Net cash provided by operating activities	14(b)	**80,989**	1,914,696
Cash flow from investing activities			
Proceeds from sale of plant and equipment		-	11,177
Net cash provided by investing activities		-	11,177
Cash flow from financing activities			
Payments to ultimate parent entity		-	(2,022,207)
Finance costs		-	(63,460)
Net cash used in financing activities		-	(2,085,667)
Reconciliation of cash			
Cash at beginning of the financial year		**113,898**	273,692
Net increase / (decrease) in cash held		**80,989**	(159,794)
Cash at end of financial year	14(a)	**194,887**	113,898

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The directors have determined that the company is not a reporting entity on the basis that, in the opinion of the directors, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. Accordingly, this financial report is a special purpose financial report, which has been prepared to satisfy the financial reporting requirements of the *Corporations Act 2001*.

The financial report covers Elgi Equipments Australia Pty Ltd as an individual entity. Elgi Equipments Australia Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Elgi Equipments Australia Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' declaration.

The financial report has been prepared in accordance with the *Corporations Act 2001*, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of:

AASB 101:	Presentation of Financial Statements
AASB 107:	Statement of Cash Flows
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1054:	Australian Additional Disclosures

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report:

(a) Basis of preparation of the financial report

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(b) Foreign currency transactions and balances

Functional and presentation currency

The financial statements are presented in Australian dollars which is the company's functional and presentation currency.

Transactions and balances

Transactions undertaken in foreign currencies are recognised in the company's functional currency, using the spot rate at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are restated to the spot rate at the reporting date.

Except for certain foreign currency hedges, all exchange gains or losses are recognised in profit or loss for the period in which they arise.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue from contracts with customers

The company derives revenue from the sale of industrial air compressors. The revenue is earned at a point in time, which is generally when the goods have been delivered to the customer.

Revenue is recognised as, or when, goods or services are transferred to the customer, and is measured at an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services.

Consideration included in the measurement of revenue

The consideration to be received from customers may include fixed amounts, variable amounts, or both. Where the contract includes a right to variable consideration, the company estimates the amount of variable consideration using the most likely amount approach on a contract-by-contract basis. Variable consideration is included in the measurement of revenue only to the extent that it is highly probable, based on historical experience, that a significant reversal of the cumulative amount recognised will not occur when the uncertainty associated with the variability is subsequently resolved.

Receivables from contracts with customers

A receivable from a contract with a customer represents the company's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment.

Contract assets

A contract asset represents the company's right to consideration (not being an unconditional right recognised as a receivable) in exchange for goods or services transferred to the customer. Contract assets are measured at the amount of consideration that the company expects to be entitled in exchange for goods or services transferred to the customer.

Contract liabilities

A contract liability represents the company's obligation to transfer goods or services to the customer for which the company has received consideration (or an amount of consideration is due) from the customer. Amounts recorded as contract liabilities are subsequently recognised as revenue when the company transfers the contracted goods or services to the customer.

Warranty obligations

The company provides a general warranty for all goods sold, as required by law. The company does not provide customers with the option to purchase an additional or extended warranty. Warranty obligations are recognised as a provision, and are measured at the company's estimate of the expenditure required to fulfil its warranty obligations at the reporting date. The company updates the measurement of the warranty provision at the end of each reporting period for changes in expectations.

(d) Government grants

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Government grants include amounts received or receivable under the Federal Government's JobKeeper Payment Scheme, which provides a temporary subsidy to eligible businesses significantly affected by the Coronavirus (Covid-19).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

(ii) Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the statement of financial position if the company does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The company makes superannuation contributions to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The company's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

(iv) Bonus plan

The company recognises a provision when a bonus is payable in accordance with the employee’s contract of employment, and the amount can be reliably measured.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Any bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are valued using the FIFO method.

(i) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

(a) the company's business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the company for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the company are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the company's transactions with its customers and are normally settled within 30 days.

Consistent with both the company's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

(a) debt instruments measured at amortised cost;

(b) debt instruments classified at fair value through other comprehensive income; and

(c) receivables from contracts with customers, contract assets and lease receivables.

The company applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables. Under the AASB 9 simplified approach, the company determines the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The company consider a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The company assumes that the credit risk on a financial asset has not increased significantly since initial recognition when the financial asset is determined to have a low credit risk at the reporting date. The company considers a financial asset to have a low credit risk when the counterparty has an external 'investment grade'' credit rating (if available) of BBB or higher, or otherwise is assessed by the company to have a strong financial position and no history of past due amounts from previous transactions with the company.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

The company assumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The company determines expected credit losses using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The company has identified contractual payments more than 90 days past due as default events for the purpose of measuring expected credit losses. These default events have been selected based on the company's historical experience. Because contract assets are directly related to unbilled work in progress, contract assets have a similar credit risk profile to receivables from contracts with customers. Accordingly, the company applies the same approach to measuring expected credit losses of receivables from contracts with customers as it does to measuring impairment losses on contract assets.

The measurement of expected credit losses reflects the company's 'expected rate of loss', which is a product of the probability of default and the loss given default, and its 'exposure at default', which is typically the carrying amount of the relevant asset. Expected credit losses are measured as the difference between all contractual cash flows due and all contractual cash flows expected based on the company's exposure at default, discounted at the financial asset's original effective interest rate.

Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

(a) significant financial difficulty of the issuer or the borrower;

(b) breach of contract;

(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the company has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the company. Recoveries, if any, are recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Plant and equipment

Each class of plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of all other property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Class of fixed asset	**Depreciation rates**	**Depreciation basis**
Plant and equipment at cost	33.33%	Straight line
Motor vehicles at cost	12.50%	Straight line
Furniture, fixtures and fittings at cost	15.00%	Straight line

(k) Impairment of non-financial assets

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level.

Assets are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use (where ‘value in use’ is determined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit).

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus for the same asset. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

A reversal of an impairment loss for an asset measured at cost is recognised in profit or loss. A reversal of an impairment loss for an asset measured at a revalued amount is treated as a revaluation increase and is recognised in other comprehensive income, except to the extent that an impairment loss on the same asset was previously recognised in profit or loss, in which case a reversal of that impairment loss is also recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(m) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(o) Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial report is authorised for issue.

The amounts recognised in the financial statements reflect events after the reporting period that provide evidence of conditions that existed at the reporting date. Whereas, events after the reporting period that are indicative of conditions that arose after the reporting period (i.e., which did not exist at the reporting date) are excluded from the determination of the amounts recognised in the financial statements.

NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of these new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below.

AASB 1060: General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (applicable for annual reporting periods commencing on or after 1 July 2021)

AASB 1060 sets out a new, separate disclosure standard to be applied by all entities that are preparing general purpose financial statements and elect to apply the Tier 2 reporting requirements under AASB 1053 *Application of Tiers of Australian Accounting Standards*. This standard will replace the current Reduced Disclosure Regime framework and will only impact disclosures and not recognition and measurement requirements of the entity.

AASB 1060 mandatorily applies to annual reporting periods commencing on or after 1 July 2021 and will be first applied by the company in the financial year commencing 1 July 2021.

The adoption of this standard is not expected to have on initial application a material impact on the company's financial statements.

AASB 2020-2: Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities (applicable for annual reporting periods commencing on or after 1 July 2021)

AASB 2020-2 removes the reporting entity concept from a number of standards for certain for-profit private sector entities. Such entities are therefore not able to prepare special purpose financial statements and must prepare general purpose financial statements. The amending standard principally amends AASB 1057 *Application of Australian Accounting Standards* and the *Conceptual Framework for Financial Reporting* so that they apply explicitly to:

(a) for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standard or accounting standards (with the previous limitation to entities with public accountability removed) and

(b) other for-profit private sector entities that are required only by constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021.

AASB 2020-2 mandatorily applies to annual reporting periods commencing on or after 1 July 2021 and will be first applied by the company in the financial year commencing 1 July 2021.

The adoption of this standard is not expected to have on initial application a material impact on the company's financial statements.

	2022 $	2021 $
NOTE 3: REVENUE FROM CONTRACTS WITH CUSTOMERS		
Sale of goods (recognised at a point in time)	**7,510,843**	6,947,503
NOTE 4: OTHER REVENUE AND OTHER INCOME		
Other revenue:		
Miscellaneous income	**1,781**	698
Other income:		
Foreign currency transaction gains	**7,211**	-
Government grants - Job Keeper	**-**	46,500
	7,211	46,500
NOTE 5: OPERATING PROFIT		
Profit before income tax has been determined after:		
Depreciation:		
- motor vehicles	**7,921**	8,693
	7,921	8,693
Bad and doubtful debts	**23,706**	-
Foreign currency transaction losses / (gains)	**(7,211)**	18,184
Employee benefits:		
- Short term benefits	**520,610**	444,170
- Superannuation guarantee contributions	**22,469**	26,474
- Other employee benefits	**20,710**	25,234
	563,789	495,878

	2022	2021
	$	$

NOTE 6: INCOME TAX

(a) Components of tax expense

Current tax	**478,942**	268,151
Deferred tax	**(7,180)**	165,552
	471,762	433,703

(b) Income tax reconciliation

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

Prima facie income tax payable on profit before income tax at 30.0% (2021: 30.0%)	**471,762**	433,703
Income tax expense attributable to profit	**471,762**	433,703

(c) Current tax

Current tax liabilities		
Opening balance	**268,151**	-
Income tax	**478,942**	268,151
Tax payments	**(153,603)**	-
Current tax liabilities	**593,490**	268,151

(d) Deferred tax

Deferred tax assets		
Provision for doubtful debts	**-**	2,015
Provision for obsolescence	**12,362**	7,724
Accruals	**46,104**	39,763
Provisions - annual and long service leave	**15,335**	17,119
Net deferred tax assets	**73,801**	66,621

(e) Deferred income tax expense included in income tax expense comprises

Decrease / (increase) in deferred tax assets	**(7,180)**	165,552
	(7,180)	165,552

	2022 $	2021 $

NOTE 7: RECEIVABLES

	2022 $	2021 $
CURRENT		
Receivables from contracts with customers	**1,422,276**	988,615
Allowance for credit losses	**-**	(6,716)
	1,422,276	981,899
Other receivables	**6,080**	3,602
Amounts receivable from:		
- other related companies	**526,808**	142,095
	1,955,164	1,127,596

Receivables from other related companies:

Receivables from other related companies do not have a fixed repayment term and do not attract interest. The receivables are expected to be received in the next 12 months and as a result have been classified as a current asset.

NOTE 8: INVENTORIES

	2022 $	2021 $
CURRENT		
At cost		
Finished goods	**2,861,271**	1,837,917
Provision for obsolescence	**(41,205)**	(25,747)
	2,820,066	1,812,170

NOTE 9: PLANT AND EQUIPMENT

	2022 $	2021 $
Plant and equipment at cost	**15,850**	15,850
Accumulated depreciation	**(15,850)**	(15,850)
	-	-
Motor vehicles at cost	**61,670**	61,670
Accumulated depreciation	**(58,266)**	(50,345)
	3,404	11,325
Furniture, fixtures and fittings at cost	**19,161**	19,161
Accumulated depreciation	**(19,161)**	(19,161)
	-	-
Total plant and equipment	**3,404**	11,325

NOTE 10: PAYABLES

	2022 $	2021 $
CURRENT		
Unsecured liabilities		
Trade creditors	**20,586**	42,345
Amounts payable to:		
- ultimate parent entity	**2,673,273**	2,221,454
- Other related companies	**3,008**	3,750
Sundry creditors and accruals	**238,933**	186,400
	2,935,800	2,453,949

Payables to the ultimate parent entity and other related companies:
Payables to the ultimate parent entity and other related companies do not attract interest. The payables are due for repayment in the next 12 months and have therefore been classified as a current liability.

NOTE 11: PROVISIONS

	2022 $	2021 $
CURRENT		
Annual leave	**32,377**	42,739
NON CURRENT		
Long service leave	**18,739**	14,324

NOTE 12: CONTRACT LIABILITIES

	2022 $	2021 $
CURRENT		
Revenue received in advance	**39,667**	2,733

A contract liability represents the company's obligation to transfer goods or services to the customer for which the company has received consideration (or an amount of consideration is due) from the customer. A contract liability arises when consideration is received from the customer in advance of the goods being delivered or the services being rendered. Amounts recorded as contract liabilities are subsequently recognised as revenue when the company transfers the contracted goods or services to the customer.

	2022 $	2021 $

NOTE 13: SHARE CAPITAL

	2022 $	2021 $
Issued and paid-up capital		
100 (2021: 100) Ordinary Shares	**100**	100

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 14: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2022 $	2021 $
Cash at bank	**194,887**	113,898
	194,887	113,898

(b) Reconciliation of cash flow from operations with profit after income tax

	2022 $	2021 $
Profit after income tax	**1,100,778**	1,011,974
Adjustments and non-cash items		
Depreciation	**7,921**	8,693
Bad debts	**23,706**	-
Finance costs classified as financing activities	**-**	63,460
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	**(851,274)**	256,589
(Increase) / decrease in other assets	**(23,243)**	(29,233)
(Increase) / decrease in inventories	**(1,007,896)**	(556,855)
Increase / (decrease) in payables	**481,851**	968,537
Increase / (decrease) in other liabilities	**36,934**	(251,150)
(Increase) /decrease in deferred taxes	**(7,180)**	165,552
Increase / (decrease) in current taxes	**325,339**	268,151
Increase / (decrease) in provisions	**(5,947)**	8,978
Cash flows from operating activities	**80,989**	1,914,696

NOTE 15: CAPITAL AND LEASING COMMITMENTS

No capital and leasing commitments are in place at 31 March 2022 (2021: $nil).

	2022	2021
	$	$

NOTE 16: CONTINGENT LIABILITIES

No contingent liabilities have been identified as at 31 March 2022 (2021: $nil).

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 March 2022 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 March 2022, of the company, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 March 2022, of the company.

NOTE 18: COMPANY DETAILS

The registered office of the company is:

Elgi Equipments Australia Pty Ltd
3 Squill Place
Arndell Park
NSW 2148

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. In the directors opinion, the financial statements and notes, as set out on pages 4 - 22, are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Accounting Standards in Australia as detailed in Note 1 to the financial statements and the *Corporations Regulations 2001*; and

   (b) giving a true and fair view of the financial position as at 31 March 2022 and performance for the year ended on that date of the company in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: ______________________

Thomas Benedict Fyfe

Director: ______________________

Ramchandran Jayakanthan

Dated this 11th day of May 2022

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

Independent Auditor's Report to the Members of Elgi Equipments Australia Pty Ltd
Report on the Audit of the Financial Report

Opinion

We have audited the special purpose financial report of Elgi Equipments Australia Pty Ltd ("the Company"), which comprises the statement of financial position as at 31 March 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 March 2022 and of its performance for the year then ended; and
(b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Directors' report for the year ended 31 March 2022 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 report 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.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

Pitcher Partners

PITCHER PARTNERS

DAN COLWELL
Partner

Brisbane, Queensland
11 May 2022