

**ELGI GULF MECHANICAL AND  
ENGINEERING EQUIPMENT TRADING L.L.C  
DUBAI**

**FINANCIAL STATEMENTS  
31 MARCH 2022**

**ELGI GULF MECHANICAL AND  
ENGINEERING EQUIPMENT TRADING L.L.C  
DUBAI**

**FINANCIAL STATEMENTS  
31 MARCH 2022**

<b>CONTENTS</b>	<b>PAGE</b>
General Manager's Report	1
Independent Auditor's Report	2-3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Shareholders' Funds	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-21

**GENERAL MANAGER'S REPORT**

The General Manager have pleasure in submitting the report and audited financial statements of Elgi Gulf Mechanical and Engineering Equipment Trading L.L.C, Dubai ("the Company") for the year ended 31 March 2022.

**Legal status and principal activities**

The Company is registered as a limited liability company in the Emirate of Dubai pursuant to Federal Law No.2 of 2015. The Company is operating under commercial license No. 840814 issued on 20 June 2019 by the Department of Economic Development, Government of Dubai.

The principal activity of the Company is trading in engines and machinery spare parts, pumps, engines and valves and spare parts.

The Company is wholly controlled by M/s. Elgi Gulf FZE, Sharjah Airport International Free Zone, Sharjah. The Company is managed by Mr. Shyamsunder Pushpagiri Rammohan.

The principal place of business is located at office 20/1 Empire Heights, Podium Level 3, Business Bay, Dubai, UAE.

**Operating results**

During the year ended 31 March 2022, the Company achieved revenue of AED 13,350,982 (2021 – AED 9,541,122) and earned a profit of AED 197,600 (2021 – AED 138,378).

**Shareholding**

The shareholding structure of the Company at the beginning and end of the reporting date is as follows:

<u>Name of shareholders</u>	<u>Number of shares</u>	<u>% of shareholding</u>	<u>Value in AED</u>
Mr. Faisal Mohamed Hassan Abdalla Al-Ali	153	51	153,000
M/s. Elgi Gulf (FZE), Sharjah Airport International Free Zone, Sharjah	147	49	147,000
	----	---	-----
	300	100	300,000
	===	===	=====

**AUDITORS**

Messrs Evas International Chartered Accountants, the auditors of the Company, have indicated their willingness to continue in office.

.....  
**General Manager**  
**6 May 2022**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C, DUBAI**

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of Elgi Gulf Mechanical and Engineering Equipment Trading L.L.C, Dubai ("the Company"), which comprise the statement of financial position as at 31 March 2022, statement of comprehensive income, statement of changes in shareholders' funds, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies set out on pages 4 to 21.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for opinion**

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

**Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Memorandum of Association and the UAE Federal Law No. (2) of 2015, 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.

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

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



**Dubai**  
P.O Box 52258

**Abu Dhabi**  
P.O Box 25929

**Sharjah**  
P.O Box 513424

**Ras Al Khaimah**  
P.O Box 5846

**United Arab Emirates**



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C, DUBAI (Continued)**

**Auditor's responsibilities for the audit of the financial statements (Continued)**

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

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

**Report on other legal and regulatory requirements**

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

- the Company has maintained proper books of account;
- we have obtained all the information we considered necessary for the purposes of our audit;
- the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Memorandum of Association and the UAE Federal Law No. (2) of 2015;
- the financial information included in the General Manager's report is consistent with the books of account of the Company;
- note 17 reflects material related party balances and transactions;
- 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 31 March 2022 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum of Association which would have a material impact on its activities or its financial position.

Evas International  
Chartered Accountants

6 May 2022  
Dubai



Dubai  
P.O Box 52258

Abu Dhabi  
P.O Box 25929

Sharjah  
P.O Box 513424

Ras Al Khaimah  
P.O Box 5846

United Arab Emirates

**ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C**  
**DUBAI**

**STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2022**

	Note	2022 AED	2021 AED
<b>Assets</b>			
<b>Non-current assets</b>			
Furniture and equipment	3	3,501	--
		-----	---
Total non-current assets		3,501	--
		-----	---
<b>Current assets</b>			
Inventories	4	223,306	183,336
Accounts and other receivables	5	2,565,496	1,632,565
Bank balance	6	265,998	254,645
		-----	-----
Total current assets		3,054,800	2,070,546
		-----	-----
<b>Total assets</b>		3,058,301	2,070,546
		=====	=====
<b>Shareholders' funds and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	7	300,000	300,000
Legal reserve	8	20,984	1,224
Shareholders' current accounts	9	(153,000)	(153,000)
Retained earnings		188,863	11,023
		-----	-----
Total shareholders' funds		356,847	159,247
		-----	-----
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employees' terminal benefits	10	13,602	--
		-----	---
Total non-current liabilities		13,602	--
		-----	---
<b>Current liabilities</b>			
Accounts and other payables	11	2,687,852	1,911,299
		-----	-----
Total current liabilities		2,687,852	1,911,299
		-----	-----
Total liabilities		2,701,454	1,911,299
		-----	-----
<b>Total shareholders' funds and liabilities</b>		3,058,301	2,070,546
		=====	=====



.....  
**General Manager**  
**6 May 2022**

**ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C**  
**DUBAI**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 AED	2021 AED
<b>Income</b>			
Revenue	12	13,350,982	9,541,122
Direct costs	13	(10,409,681)	(7,626,839)
		-----	-----
Gross profit		2,941,301	1,914,283
Other income	14	--	5,597
		----	----
		2,941,301	1,919,880
		-----	-----
<b>Expenses</b>			
Management fee	17	2,203,149	1,365,526
Salaries and employee related costs	17	401,285	362,430
General and administration	15	68,428	51,382
Selling and distribution (transportation)		62,026	--
Finance charges	16	8,313	2,164
Depreciation	3	500	--
		----	----
		2,743,701	1,781,502
		-----	-----
<b>Net profit and other comprehensive income for the year</b>		197,600	138,378
		=====	=====



General Manager  
6 May 2022

The attached notes 1 to 21 form part of these financial statements.



**ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C**  
**DUBAI**

**STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

<b>Year to 31 March 2022</b>	Share capital AED	Legal reserve AED	Shareholders' current accounts AED	Retained earnings AED	Total shareholders' funds AED
Balance at the beginning of the year	300,000	1,224	(153,000)	11,023	159,247
<b>Income recognition</b>					
Total comprehensive income for the year	--	--	--	197,600	197,600
<b>Other movements</b>					
Transfer to legal reserve	--	19,760	--	(19,760)	--
Balance at the end of the year	300,000	20,984	(153,000)	188,863	356,847
	=====	=====	=====	=====	=====
<b>Year to 31 March 2021</b>	Share capital AED	Legal reserve AED	Shareholders' current accounts AED	(Accumulated loss)/ retained earnings AED	Total shareholders' funds AED
Balance at the beginning of the year	300,000	--	(153,000)	(126,131)	20,869
<b>Income recognition</b>					
Total comprehensive income for the year	--	--	--	138,378	138,378
<b>Other movements</b>					
Transfer to legal reserve	--	1,224	--	(1,224)	--
Balance at the end of the year	300,000	1,224	(153,000)	11,023	159,247
	=====	=====	=====	=====	=====



General Manager  
6 May 2022

The attached notes 1 to 21 form part of these financial statements.



**ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C  
DUBAI**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 AED	2021 AED
<b>Cash flows from operating activities</b>			
Total comprehensive income for the year		197,600	138,378
Adjustments for:			
Provision for employees' terminal benefits	10	13,602	--
Depreciation	3	500	--
		-----	---
Net cash from operating activities before changes in working capital		211,702	138,378
(Increase) in inventories		(39,970)	(99,166)
(Increase) in accounts and other receivables		(932,931)	(17,060)
Increase/ (decrease) in accounts and other payables		776,553	(146,574)
		-----	-----
Net cash from/ (used in) operating activities		15,354	(124,422)
		-----	-----
<b>Cash flows from investing activities</b>			
Purchase of furniture and equipment	3	(4,001)	--
		-----	---
Net cash (used in) investing activities		(4,001)	--
		-----	---
Increase/ (decrease) in cash and cash equivalents during the year		11,353	(124,422)
Cash and cash equivalents at beginning of the year		254,645	379,067
		-----	-----
Cash and cash equivalents at end of the year	6	265,998	254,645
		=====	=====



**General Manager**  
**6 May 2022**

**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2022**

**1 Legal status and principal activities**

Elgi Gulf Mechanical and Engineering Equipment Trading L.L.C., Dubai ("the Company") is a limited liability company incorporated in the Emirate of Dubai on 20 June 2019 under Federal Law No. (2) of 2015 and operates under license no. 840814 issued by the Department of Economic Development, Government of Dubai.

The principal activity of the Company is trading in engines and machinery spare parts, pumps, engines and valves and spare parts.

The Company is wholly controlled by M/s. Elgi Gulf FZE, Sharjah Airport International Free Zone, Sharjah. The Company is managed by Mr. Shyamsunder Pushpagiri Rammohan.

The principal place of business is located at office 20/1 Empire Heights, Podium Level 3, Business Bay, Dubai, UAE.

**2 Basis of preparation and significant accounting policies and estimates**

**2.1 Basis of preparation**

**Statement of compliance**

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The financial statements have been prepared in Arab Emirates Dirhams.

In the current period, the Company has adopted all applicable new and revised Standards and Interpretations issued by IASB and the IFRIC that are effective for accounting periods beginning on or after 1 April 2021.

**Basis of measurement**

The financial statements are prepared under the historical cost convention and on the basis that the Company will continue to operate as a going concern. The principal accounting policies that have been applied consistently by the Company to all periods presented in these financial statements are set out below.

**2.2 Changes in accounting policies**

**New and amended standards adopted by the Company**

New and amended standards effective as of 1 April 2021 were either not relevant to the Company or did not have any material impact on the presentation and disclosure of items on the financial statements of the Company.

**Amendments issued but not yet effective**

The following standards and amendments to existing standards that are applicable to the Company have been published and are mandatory for accounting periods beginning after 1 April 2021, but which have not been early adopted by the Company:

- a) Amendments to IAS 1: Classification of Liabilities as Current or Non-current – In April 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right;

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact of the of the amendments on the presentation and disclosure of items in the financial statements for future periods.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2022**

**2 Basis of preparation and significant accounting policies and estimates (Continued)**

**2.2 Changes in accounting policies (Continued)**

**Amendments issued but not yet effective (Continued)**

- b) Amendments to IAS 16: Property, Plant and Equipment – In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities 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 costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the presentation and disclosure of items in the financial statements for future periods.

- c) Amendments to IAS 8: Definition of Accounting Estimates – In February 2021, the IASB issued amendments to IAS 8, in which a definition of 'accounting estimates' was introduced. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, clarification on how entities use measurement techniques and inputs to develop accounting estimates was made.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the presentation and disclosure of items in the financial statements for future periods.

- d) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies – In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which guidance and examples to help entities apply materiality judgements to accounting policy disclosures was given. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments on the presentation and disclosure of accounting policies in the financial statements for future periods.

**2.3 Significant accounting policies**

**a) Current and non-current classification in the statement of financial position**

An asset is current when it is:

- Held primarily for the purpose of trading
- Expected to be realized or intended to be sold/ consumed in the normal operating cycle
- Expected to be realized within twelve months after the reporting period
- Cash or cash equivalents

All other assets are classified as non-current.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2022

**2 Basis of preparation and significant accounting policies and estimates (Continued)**

**2.3 Significant accounting policies (Continued)**

**a) Current and non-current classification in the statement of financial position (Continued)**

A liability is current when it is:

- Held primarily for the purpose of trading
- Expected to be settled in the normal operating cycle
- Due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

**b) Furniture and equipment**

Furniture and equipment are initially recorded at cost together with any incidental expenses of acquisition. Subsequently they are stated at cost less accumulated depreciation and accumulated impairment losses. Major costs incurred in restoring furniture and equipment to their normal working condition are charged to statement of comprehensive income.

Furniture and equipment are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income when the asset is derecognized.

**c) Depreciation**

Furniture and equipment are depreciated by equal annual installments over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Years
Computer and office equipment	2

The residual values, useful lives and methods of depreciation of furniture and equipment are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

**d) Revenue**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment, excluding discounts. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent and has concluded that it is acting as a principal in all of its revenue arrangements, because the Company typically controls the goods or services before transferring to the customers.

**Sale of goods**

Revenue from sale of goods is recognized at the point in time when control of the goods or services are transferred to the customer, normally on delivery to the customer.

**Rendering of services**

Revenue is recognized over time (the customer simultaneously receives and consumes the benefits) as the services are provided using the input method to measure progress towards complete satisfaction of the service. Under the input method, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation.

**Others**

- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.
- Commission income is recognized when the underlying transaction is completed.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2022**

**2 Basis of preparation and significant accounting policies and estimates (Continued)**

**2.3 Significant accounting policies (Continued)**

**d) Revenue (Continued)**

Separate performance obligations in the contract, if any, are identified and transaction price is allocated after considering the effects of variable consideration (rights of return, volume rebates etc.), significant financing component, non-cash consideration and any consideration payable to the customer.

Assurance-type warranties for general repairs of defects that existed at the time of sale and are accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Significant financing component – the Company does not expect to have any contracts where the period between the transfer of the goods or services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust any of the transaction prices for the time value of money. Short term advances from customers are not considered to be having significant financing component as the period between the receipt of advances and the transfer of promised goods or services will be one year or less.

**e) Inventories**

Inventories have been valued at lower of cost and net realizable value, after making due allowance for any obsolete and slow-moving items. Cost is determined by FIFO (First-In-First-Out) and consists of aggregate of purchase price and other related expenses incurred to bring the inventories to their present location and condition. Net realizable value is determined on estimated selling price less any estimated cost necessary to make the sales. Goods in transit are valued based on cost incurred up to the reporting date.

**f) Cash and cash equivalents**

Cash and cash equivalents consist of bank balance.

**g) Financial instruments – recognition, classification, measurement, de-recognition and offsetting**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability (other than FVTPL) is initially measured at fair value plus directly attributable transaction costs.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2022

2 Basis of preparation and significant accounting policies and estimates (Continued)

2.3 Significant accounting policies (Continued)

g) Financial instruments – recognition, classification, measurement, de-recognition and offsetting (Continued)

**Classification and subsequent measurement**

Financial assets: Classification

On initial recognition, a financial asset is classified as measured at:

- Amortized cost – debt instruments
- Fair value through other comprehensive income (FVOCI) – debt instruments (with recycling)
- Fair value through other comprehensive income (FVOCI) – equity instruments (without recycling of cumulative gains or losses) or
- Fair value through profit or loss (FVTPL) – debt and equity instruments

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Other financial assets are classified at FVTPL. This assessment is performed at an instrument level. The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the assets, or both. When the objective is to hold financial assets to collect contractual cash flows, it is classified at amortized cost and when the objective is to hold financial assets to collect contractual cash flows and selling, it is classified at FVOCI.

Financial assets: Subsequent measurement

Debt instruments at amortized cost – These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of comprehensive income. Any gain or loss on derecognition is recognized in the statement of comprehensive income.

Financial liabilities: Classification and subsequent measurement

Financial liabilities are classified as measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of comprehensive income. Any gain or loss on derecognition is also recognized in the statement of comprehensive income.

**Derecognition**

Financial assets

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2022

**2 Basis of preparation and significant accounting policies and estimates (Continued)**

**2.3 Significant accounting policies (Continued)**

**g) Financial instruments – recognition, classification, measurement, de-recognition and offsetting (Continued)**

**Derecognition (Continued)**

Financial liabilities

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

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**h) Employees' terminal benefits**

Provision is made for employees' terminal benefits on the basis prescribed under the Labour Law of the United Arab Emirates and are calculated based on employees' salaries and number of years of service. The terminal benefits are paid to employees on termination or completion of their term of employment. Accordingly, the Company has no expectation of settling its employees' terminal benefits obligation in the near future.

**i) Impairment of financial assets**

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. The Company applies expected credit losses (ECL) model for measurement and recognition of loss allowance on all debt instruments not held at fair through profit or loss. ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collaterals or other credit enhancements that are integral to the contractual terms.

ECL are recognized in two stages. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date. ECL are measured in a manner that they reflect unbiased and profitability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

In case of trade receivables, the Company follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognized as loss allowance. The Company has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in the statement of comprehensive income.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2022**

**2 Basis of preparation and significant accounting policies and estimates (Continued)**

**2.3 Significant accounting policies (Continued)**

**j) Impairment of non-financial assets**

At each reporting date, the Company assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Company estimates the recoverable amount of the asset and recognizes an impairment loss in the statement of comprehensive income. The Company also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognized immediately in the statement of comprehensive income

**k) Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is, or contains, a lease.

As a lessee

At the lease commencement date, the Company recognizes a right of use asset and a lease liability. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets include the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate. 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, amounts expected to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company including payments of penalties for terminating the lease. The lease liability is measured at amortized cost using the effective interest rate method. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

As a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

**l) Value added tax (VAT)**

Assets, income and expenses are recognized net of the amount of VAT, except:

- When VAT incurred on purchase of assets or services is not recoverable (non-recoverable VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable)
- When receivables and payables are stated with the amount of VAT.

The net amount of VAT recoverable from, or payable to, the Federal Tax Authority is included as part of accounts and other receivables/ accounts and other payables in the statement of financial position.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2022

**2 Basis of preparation and significant accounting policies and estimates (Continued)**

**2.3 Significant accounting policies (Continued)**

**m) Foreign currencies**

Functional and presentation currency

The financial statements are presented in Arab Emirates Dirham (AED), which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the reporting date are translated at rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and those measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Exchange differences arising in these cases are dealt in line with the recognition of the gain or loss on the change in fair value of that item.

**n) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from the past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are not recognized but are disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as provision.

**2.4 Significant accounting estimates**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

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

**Impairment of furniture and equipment**

A decline in the value of furniture and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of furniture and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include the following:

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2022

2 Basis of preparation and significant accounting policies and estimates (Continued)

2.4 Significant accounting estimates (Continued)

**Useful lives of furniture and equipment**

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

**Impairment of financial assets**

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

Trade accounts receivable

The Company applies the simplified approach to measuring expected credit losses to its trade accounts receivable by using a provision matrix. The provision rates are based on days past due for companies of various customer segments that have similar loss patterns (type of product, geography, customer type, rating, security etc.) and is initially based on historical experience. The provision rates are adjusted with current conditions and the Company's view of economic conditions over the expected lives of the receivables. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates (considered as not significant) are analysed.

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. While cash and cash equivalents are also subject to impairment, the identified impairment loss is considered immaterial.

**Impairment of inventories**

Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made on their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

3 Furniture and equipment	2022 AED	2021 AED
<b>Computer and office equipment</b>		
<b>Cost:</b>		
additions during the year	4,001	--
	-----	----
at 31 March	4,001	--
	-----	----
<b>Accumulated depreciation:</b>		
charge for the year	500	--
	----	----
at 31 March	500	--
	-----	----
<b>Net book value:</b>		
at 31 March	3,501	--
	=====	=====

**ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C**  
**DUBAI**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2022**

<b>4 Inventories</b>	<b>2022 AED</b>	<b>2021 AED</b>
Goods for resale	223,306	183,336
	-----	-----
	223,306	183,336
	=====	=====

<b>5 Accounts and other receivables</b>	<b>2022 AED</b>	<b>2021 AED</b>
Trade accounts receivable	1,961,830	988,050
VAT receivable	305,530	--
Due from shareholder	293,761	--
Prepaid expenses	4,375	11,125
Advance to suppliers	--	633,390
	---	-----
	2,565,496	1,632,565
	=====	=====

a) At the reporting date, 51% of trade accounts receivable are due from 14 customers (2021 – 53% due from 9 customers).

b) The ageing analysis of trade accounts receivable is as follows:

	<b>2022 AED</b>	<b>2021 AED</b>
Debts due between 0 – 90 days	1,578,225	948,060
Debts due between 91 – 180 days	354,271	36,400
Debts due between 181 – 360 days	10,745	3,590
More than 360 days	18,589	--
	-----	---
	1,961,830	988,050
	=====	=====

c) Trade accounts receivable are assessed for impairment based on a provision matrix and loss allowances are recognized based on lifetime expected credit losses. The computed expected credit losses is considered immaterial.

d) Unimpaired trade accounts receivable are considered collectible based on historic experience.

<b>6 Bank balance</b>	<b>2022 AED</b>	<b>2021 AED</b>
Current account with bank	265,998	254,645
	-----	-----
Cash and cash equivalents	265,998	254,645
	=====	=====

<b>7 Share capital</b>	<b>2022 AED</b>	<b>2021 AED</b>
Authorized, issued and paid-up capital: 300 share of AED 300,000	300,000	300,000
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2022**

**8 Legal reserve**

As required by the Federal Law No. (2) of 2015 relating to commercial companies, 10% of the profit for the year has been transferred to a legal reserve. Further, in accordance with the provisions of the said laws, the Company may resolve to discontinue such annual transfers once the balance in the reserve account reaches 50% of the share capital. The reserve is not available for distribution except in circumstances as stipulated in the said law.

**9 Shareholders' current accounts**

The shareholders' current accounts are unsecured, interest free and there are no defined repayment arrangements.

**10 Employees' terminal benefits**

The provision for end of service benefits for employees is made in consideration of the requirements of the labour laws of the UAE. This is an unfunded defined benefits retirement plan. Employees are entitled to benefits based on length of service and final remuneration and are payable on termination or completion of term of employment. The cost of providing these benefits is charged as an expense on an annual basis.

Movements in the provision recognized in the statement of financial position are as follows:

	2022 AED	2021 AED
Provided during the year	13,602	--
	-----	---
Balance at the end of the year	13,602	--
	=====	===

**11 Accounts and other payables**

	2022 AED	2021 AED
Management fee payable	2,313,307	1,365,526
Advance from customers	286,005	78,018
Payable to employee	51,820	--
Trade accounts payable	36,720	47,887
Due to a shareholder	--	362,430
VAT payable	--	56,882
Due to related party	--	556
	---	----
	2,687,852	1,911,299
	=====	=====

**12 Revenue**

	2022 AED	2021 AED
Third parties	13,350,982	9,541,122
	-----	-----
	13,350,982	9,541,122
	=====	=====

Revenue represents revenue from sale of goods with third party customers in United Arab Emirates and are being recognized at a point in time.



**ELGI GULF MECHANICAL AND ENGINEERING EQUIPMENT TRADING L.L.C  
DUBAI**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2022**

<b>13 Direct costs</b>	<b>2022 AED</b>	<b>2021 AED</b>
Opening stock	183,336	84,170
Purchases (Note 17)	10,449,651	7,726,005
Less: Closing stock (Note 4)	(223,306)	(183,336)
	-----	-----
Cost of goods sold	10,409,681	7,626,839
	=====	=====
<b>14 Other income</b>	<b>2022 AED</b>	<b>2021 AED</b>
Miscellaneous income	--	5,597
	--	-----
	---	5,597
	===	=====
<b>15 General and administration expenses</b>	<b>2022 AED</b>	<b>2021 AED</b>
Legal and professional expenses	36,720	25,000
Rent	29,383	26,382
Others	2,325	--
	-----	---
	68,428	51,382
	=====	=====
<b>16 Finance charges</b>	<b>2022 AED</b>	<b>2021 AED</b>
Bank charges	8,313	2,164
	-----	-----
	8,313	2,164
	=====	=====

**17 Related party transactions**

The Company has in the ordinary course of business, entered into commercial and financial transactions with concerns, in which the shareholder/directors/manager and/or their relatives have an investing/controlling interest. Prices and terms of these transactions are approved by the management.

The volumes of these transactions during the year were:

Related party relationship	Type of transaction	<b>2022 AED</b>	<b>2021 AED</b>
General Manager	Salaries and employee related costs	401,285	362,430
	Management fee	2,203,149	1,365,526
Shareholder	Purchases (Note 13)	10,449,651	7,726,005
		=====	=====

- The amounts due to / from related parties are unsecured, interest free and are payable or receivable on demand.
- Management fee represents fee payable to a shareholder based on the terms of arrangements entered between the Company and the shareholder.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2022

18 Financial risk and capital management

18.1 Financial risk factors

Financial assets of the Company include accounts and other accounts and other receivables and bank balance. Financial liabilities include accounts and other payables. The management believes that the fair values of the financial assets and liabilities approximate to their carrying amounts

The Company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance. Under the Company's risk management programme, management identifies and documents key risks and sets out policies and procedures required to mitigate these risks.

a) Currency risk

The Company operates mainly in the Middle East region. The currencies of many countries in the Middle East region in which the Company operates is fixed to the Arab Emirates Dirham and therefore the exposure to foreign exchange risk arising from transactions in those currencies is not material.

b) Credit risk

The Company has concentrations of credit risk at the reporting date (Note 5a)). However, it has policies in place to ensure that sales are made to customers with an appropriate credit history. Cash is placed with high quality and established commercial banks.

c) Liquidity risk

The Company manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

The Company manages liquidity risk on the basis of expected maturity dates of liabilities which is categorized as follows:

31 March 2022	On demand AED	0-3 months AED	3-12 months AED	Total AED
Trade accounts payable	--	36,720	--	36,720
Management fee payable	2,313,307	--	--	2,313,307
Payable to employee	--	--	51,820	51,820
	---	---	---	---
	2,313,307	36,720	51,820	2,401,847
	=====	=====	=====	=====
31 March 2021	On demand AED	0-3 months AED	3-12 months AED	Total AED
Trade accounts payable	--	47,887	--	47,887
Management fee payable	1,365,526	--	--	1,365,526
Due to related party	556	--	--	556
Due to a shareholder	362,430	--	--	362,430
VAT payable	--	56,882	--	56,882
	---	---	---	---
	1,728,512	104,769	--	1,833,281
	=====	=====	=====	=====



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2022**

**18 Financial risk and capital management (Continued)**

**18.2 Capital management**

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Company manages the shareholders' funds and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the shareholders' funds, the Company may adjust the amount of dividends paid to shareholders, return funds to shareholders, issue new shares, or sell assets to reduce its exposure to debt.

**19 Contingent liabilities and commitments**

There were no significant contingent liabilities and capital commitments at the reporting date.

**20 Impact of COVID-19**

The outbreak of novel coronavirus (COVID-19) and its spread throughout the world, has adversely affected the general economic conditions. The management has assessed the preliminary impact of COVID-19 on the financial statements and has considered no impact on the revenue and operations of the Company. As the pandemic continues, and in the context of the uncertainty on the severity and duration of the pandemic, the impact on revenues, profitability and financial position of the Company subsequent to the reporting date cannot be predicted at this time. The Company is closely monitoring the situation and taking necessary steps in adherence with the guidelines of the relevant authorities to reduce the impact on its employees and operations.

**21 Comparative figures**

The previous year's figures have been regrouped or reclassified wherever necessary to make them comparable to those of the current year.