

Elgi Equipments Australia Pty Ltd

ABN: 14 151 312 613

Financial Report

For the year ended 31 March 2023

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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 2023 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

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 \$1,449,954 (2022: \$1,100,778).

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.

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

DIRECTORS' REPORT

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.

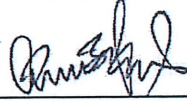
Indemnification of auditors

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.

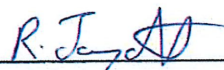
Proceedings on behalf of the company

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: 

Ramesh Muthuswamy Ponnuswami

Director: 

Ramchandran Jayakanthan

Dated this 15th day of May 2023

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 2023, 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
15 May 2023

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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FELICITY CRIMSTON
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KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

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 2023

	Note	2023 \$	2022 \$
Revenue and other income			
Revenue from contracts with customers	2	9,997,814	7,476,796
Other revenue	3	80,786	35,828
Other income	3	<u>42,307</u>	<u>7,211</u>
		<u>10,120,907</u>	<u>7,519,835</u>
Less: expenses			
Cost of goods sold		(6,779,035)	(5,157,308)
Employee benefits expense	4	(803,607)	(563,789)
Advertising and marketing expense		(181,857)	(93,355)
Depreciation and amortisation expense	4	(3,404)	(7,921)
Other expenses		<u>(281,641)</u>	<u>(124,922)</u>
		<u>(8,049,544)</u>	<u>(5,947,295)</u>
Profit before income tax expense		2,071,363	1,572,540
Income tax expense	5	<u>(621,409)</u>	<u>(471,762)</u>
Net profit from continuing operations		<u>1,449,954</u>	<u>1,100,778</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>1,449,954</u></u>	<u><u>1,100,778</u></u>

The accompanying notes form part of these financial statements.

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 \$	2022 \$
Current assets			
Cash and cash equivalents	13	459,162	194,887
Receivables	6	2,077,521	1,955,164
Inventories	8	3,578,402	2,820,066
Other assets	7	<u>198,348</u>	<u>118,194</u>
Total current assets		<u>6,313,433</u>	<u>5,088,311</u>
Non-current assets			
Other financial assets		957	957
Plant and equipment	9	-	3,404
Deferred tax assets	5	<u>113,621</u>	<u>73,801</u>
Total non-current assets		<u>114,578</u>	<u>78,162</u>
Total assets		<u>6,428,011</u>	<u>5,166,473</u>
Current liabilities			
Payables	10	2,791,692	2,935,800
Provisions	11	85,859	32,377
Current tax liabilities	5	541,764	593,490
Contract liabilities	12	<u>87</u>	<u>39,667</u>
Total current liabilities		<u>3,419,402</u>	<u>3,601,334</u>
Non-current liabilities			
Provisions	11	<u>12,255</u>	<u>18,739</u>
Total non-current liabilities		<u>12,255</u>	<u>18,739</u>
Total liabilities		<u>3,431,657</u>	<u>3,620,073</u>
Net assets		<u>2,996,354</u>	<u>1,546,400</u>
Equity			
Share capital	17	100	100
Retained earnings		<u>2,996,254</u>	<u>1,546,300</u>
Total equity		<u>2,996,354</u>	<u>1,546,400</u>

The accompanying notes form part of these financial statements.

ELGI EQUIPMENTS AUSTRALIA PTY LTD
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Share capital \$	Retained earnings \$	Total equity \$
Balance as at 1 April 2021	100	445,522	445,622
Profit for the year	<u>-</u>	<u>1,100,778</u>	<u>1,100,778</u>
Total comprehensive income for the year	<u>-</u>	<u>1,100,778</u>	<u>1,100,778</u>
Balance as at 31 March 2022	<u><u>100</u></u>	<u><u>1,546,300</u></u>	<u><u>1,546,400</u></u>
Balance as at 1 April 2022	100	1,546,300	1,546,400
Profit for the year	<u>-</u>	<u>1,449,954</u>	<u>1,449,954</u>
Total comprehensive income for the year	<u>-</u>	<u>1,449,954</u>	<u>1,449,954</u>
Balance as at 31 March 2023	<u><u>100</u></u>	<u><u>2,996,254</u></u>	<u><u>2,996,354</u></u>

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 2023

	Note	2023 \$	2022 \$
Cash flow from operating activities			
Receipts from customers		10,996,311	7,342,725
Payments to suppliers and employees		(9,919,081)	(7,108,133)
Income tax paid		<u>(712,955)</u>	<u>(153,603)</u>
Net cash provided by operating activities		<u>364,275</u>	<u>80,989</u>
Cash flow from investing activities			
Loans to related party		<u>(100,000)</u>	-
Net cash provided by / (used in) investing activities		<u>(100,000)</u>	-
Reconciliation of cash			
Cash at beginning of the financial year		194,887	113,898
Net increase in cash held		<u>264,275</u>	<u>80,989</u>
Cash at end of financial year	13(a)	<u>459,162</u>	<u>194,887</u>

The accompanying notes form part of these financial statements.

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards - Simplified Disclosures. This includes compliance with the recognition and measurement requirements of all Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the disclosure requirements of AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

This financial report is the first financial report of the company prepared in accordance with Australian Accounting Standards - Simplified Disclosures. The prior year financial report was a special purpose financial report that was prepared in accordance with the recognition and measurement requirements of all Australian Accounting Standards and the disclosure requirements of some, but not all, Australian Accounting Standards. The transition from the previous financial reporting framework to Australian Accounting Standards - Simplified Disclosures has not affected the company's reported financial position, financial performance and cash flows.

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 following are the significant accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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.

(f) 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.

(g) 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.

(h) 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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

(j) 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) 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.

(m) Comparatives

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

(n) 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.

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 \$	2022 \$
NOTE 2: REVENUE FROM CONTRACTS WITH CUSTOMERS		
Sale of goods (recognised at a point in time)	<u><u>9,997,814</u></u>	<u><u>7,476,796</u></u>
NOTE 3: OTHER REVENUE AND OTHER INCOME		
Other revenue:		
Miscellaneous income	7,626	1,781
Other revenue	<u><u>73,160</u></u>	<u><u>34,047</u></u>
	<u><u>80,786</u></u>	<u><u>35,828</u></u>
Other income:		
Foreign currency transaction gains	34,706	7,211
Insurance recoveries	<u><u>7,601</u></u>	<u><u>-</u></u>
	<u><u>42,307</u></u>	<u><u>7,211</u></u>
NOTE 4: OPERATING PROFIT		
Profit before income tax has been determined after:		
Depreciation:		
- motor vehicles	<u><u>3,404</u></u>	<u><u>7,921</u></u>
	3,404	7,921
Bad and doubtful debts	-	23,706
Employee benefits:		
- Short term benefits	718,702	520,610
- Superannuation guarantee contributions	45,749	22,469
- Other employee benefits	<u><u>39,156</u></u>	<u><u>20,710</u></u>
	803,607	563,789

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 \$	2022 \$
NOTE 5: INCOME TAX		
(a) Components of tax expense		
Current tax	661,229	478,942
Deferred tax	<u>(39,820)</u>	<u>(7,180)</u>
	<u>621,409</u>	<u>471,762</u>
(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% (2022: 30.0%)	<u>621,409</u>	<u>471,762</u>
Income tax expense attributable to profit	<u>621,409</u>	<u>471,762</u>
(c) Current tax		
<i>Current tax liabilities</i>		
Opening balance	593,490	268,151
Income tax	661,229	478,942
Tax payments	<u>(712,955)</u>	<u>(153,603)</u>
Current tax liabilities	<u>541,764</u>	<u>593,490</u>
(d) Deferred tax		
<i>Deferred tax assets</i>		
Provision for obsolescence	16,866	12,362
Accruals	67,320	46,104
Provisions - annual and long service leave	<u>29,435</u>	<u>15,335</u>
Net deferred tax assets	<u>113,621</u>	<u>73,801</u>
(e) Deferred income tax expense included in income tax expense comprises		
Increase in deferred tax assets	<u>(39,820)</u>	<u>(7,180)</u>
	<u>(39,820)</u>	<u>(7,180)</u>

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 \$	2022 \$
NOTE 6: RECEIVABLES		
CURRENT		
Receivables from contracts with customers	1,032,421	1,422,276
Other receivables	1,000	6,080
Loan receivable from wholly owned subsidiary	100,000	-
Amounts receivable from:		
- other related companies	<u>944,100</u>	<u>526,808</u>
	<u>2,077,521</u>	<u>1,955,164</u>
Refer to note 14 for information on related party balances.		
NOTE 7: OTHER ASSETS		
CURRENT		
Prepayments	<u>198,348</u>	<u>118,194</u>
NOTE 8: INVENTORIES		
CURRENT		
<i>At cost</i>		
Finished goods	3,634,623	2,861,271
Provision for obsolescence	<u>(56,221)</u>	<u>(41,205)</u>
	<u>3,578,402</u>	<u>2,820,066</u>
NOTE 9: PLANT AND EQUIPMENT		
Plant and equipment at cost	15,850	15,850
Accumulated depreciation	<u>(15,850)</u>	<u>(15,850)</u>
	-	-
Motor vehicles at cost	61,670	61,670
Accumulated depreciation	<u>(61,670)</u>	<u>(58,266)</u>
	-	3,404
Furniture, fixtures and fittings at cost	19,161	19,161
Accumulated depreciation	<u>(19,161)</u>	<u>(19,161)</u>
	-	-
Total plant and equipment	<u>-</u>	<u>3,404</u>

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 \$	2022 \$
NOTE 10: PAYABLES		
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	17,282	20,586
Amounts payable to:		
- ultimate parent entity	2,456,111	2,673,273
- Other related companies	3,185	3,008
Sundry creditors and accruals	<u>315,114</u>	<u>238,933</u>
	<u>2,791,692</u>	<u>2,935,800</u>

Refer to note 14 for information on related party balances.

NOTE 11: PROVISIONS

CURRENT		
Annual leave	67,419	32,377
Long service leave	<u>18,440</u>	<u>-</u>
	<u>85,859</u>	<u>32,377</u>
NON CURRENT		
Long service leave	<u>12,255</u>	<u>18,739</u>

NOTE 12: CONTRACT LIABILITIES

CURRENT		
Revenue received in advance	<u>87</u>	<u>39,667</u>

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.

NOTE 13: 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:

Cash at bank	<u>459,162</u>	<u>194,887</u>
	<u>459,162</u>	<u>194,887</u>

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2023	2022
\$	\$

NOTE 14: KEY MANAGEMENT PERSONNEL COMPENSATION

Total compensation paid or payable to key management personnel	<u>341,995</u>	<u>355,567</u>
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A proportion of the companies key management personnel is paid by an associate related party (F.R. Pulford & Son Pty Ltd). The costs associated with key management personnel compensation are recharged to the company.

NOTE 15: RELATED PARTY TRANSACTIONS

(a) Outstanding balances and transactions arising from sales/purchases of goods and services

Related Party Receivables:

- **Receivable from F.R. PULFORD & SON PTY LTD** - The company has a receivable of \$843,072 (2022: \$397,599) due from a associate related party. The receivable is primarily for the sale of air compressors, for which income of \$2,374,690 (2022: \$1,816,688) was recognised during the period. The receivable does not attract interest and is expected to be settled in the next 12 months.
- **Receivable from Advanced Air Compressors Pty Ltd** - The company has a receivable of \$99,031 (2022: \$129,209) due from a associate related party. The receivable is primarily for the sale of air compressors, for which income of \$1,080,973 (2022: \$998,188) was recognised during the period. The receivable does not attract interest and is expected to be settled in the next 12 months.
- **Loan Receivable from ELGI COMPRESSORS (M) SDN. BHD** - The company has a loan receivable of \$100,000 (2022: \$nil) due from a associate related party. The loan attracts a interest rate of 5% with Nil (2021: \$nil) interest being recognised in the statement of financial position at year end. The loan is unsecured for a period of 12 months with a repayment date of 29 March 2024.
- **Receivable from PT. Elgi Equipments Indonesia** - The company has a receivable of \$1,997 (2022: \$nil) due from a associate related party. The receivable is primarily for the sale of air compressors, for which income of \$3,286 (2022: \$222) was recognised during the period. The receivable does not attract interest and is expected to be settled in the next 12 months.

Related Party Payables:

- **Payable to Elgi Equipments Limited** - The company has a payable of \$2,456,111 (2022: \$2,673,273) due to the ultimate parent. The payable is primarily for the purchase of inventory, for which purchases of \$6,695,065 (2022: \$5,671,006) was recognised during the period. The payable does not attract interest and is expected to be settled in the next 12 months.
- **Payable to Elgi Compressors USA Inc.** - The company has a payable of \$3,185 (2022: \$3,008) due to an associate related party. The payable does not attract interest and is expected to be settled in the next 12 months.

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

NOTE 15: RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties

- **Transactions with Elgi Equipments Limited** - The company has recorded expenses of \$199,193 (2022: \$213,300) in relation to expense recharges.
- **Transactions with F.R. PULFORD & SON PTY LTD** - The company has recorded the purchase of inventory, for which purchases of \$61,257 (2022: \$51,591) was recognised during the period. The company has recorded expense of \$530,177 (2022: \$335,804) in relation to general expense recharges. Furthermore, general expenses of \$401,844 (2022: \$351,873) were recharged back to the associate related party. Included in the recharges was key management personnel remuneration paid by the company on behalf of the related party.
- **Transactions with Advanced Air Compressors Pty Ltd** - The company has recorded the purchase of inventory, for which purchases of \$4,999 (2022: \$6,670) was recognised during the period. Furthermore, the company has recorded expense of \$5,400 (2022: \$6,670) in relation to general expense recharges.

NOTE 16: REMUNERATION OF AUDITORS

Remuneration of auditors for:

Pitcher Partners (Brisbane)

Audit and assurance services

- Audit of Elgi Equipments Australia Pty Ltd	23,000	19,000
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Other non-audit services

- Taxation services	<u>1,080</u>	<u>-</u>
	<u>24,080</u>	<u>19,000</u>

NOTE 17: SHARE CAPITAL

Issued and paid-up capital

100 (2022: 100) Ordinary Shares	<u>100</u>	<u>100</u>
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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 18: CONTINGENT LIABILITIES

No contingent liabilities have been identified as at 31 March 2023 (2022: \$nil).

ELGI EQUIPMENTS AUSTRALIA PTY LTD
ABN: 14 151 312 613

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

NOTE 19: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 March 2023 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2023, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2023, of the company.

NOTE 20: 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

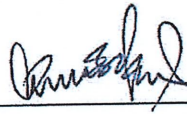
DIRECTORS' DECLARATION

The directors of the company declare that:

1. In the directors opinion, the financial statements and notes thereto, as set out on pages 4 - 22, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standards - Simplified Disclosures and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position as at 31 March 2023 and performance for the year ended on that date of the company.
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: _____



Ramesh Muthuswamy Ponnuswami

Director: _____



Ramchandran Jayakanthan

Dated this

15th

day of

May

2023

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 financial report of Elgi Equipments Australia Pty Ltd ("the Company"), which comprises the statement of financial position as at 31 March 2023, 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 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards 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.

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 2023 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the 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 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 the directors either intend to liquidate the Company or to cease operations, or have 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.

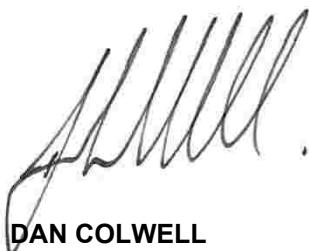
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 the directors.
- Conclude on the appropriateness of the directors' 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Pitcher Partners
PITCHER PARTNERS



DAN COLWELL
Partner

Brisbane, Queensland
15 May 2023