ELGI GULF FZE AND ITS SUBSIDIARY
UNITED ARAB EMIRATES

CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2023

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ELGI GULF FZE AND ITS SUBSIDIARY, UNITED ARAB EMIRATES

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Elgi Gulf FZE, Sharjah Airport International Free Zone, Sharjah ("the Parent Company") and its subsidiary, United Arab Emirates ("the Group"), which comprise the consolidated statement of financial position as at 31 March 2023, consolidated statement of comprehensive income, consolidated statement of changes in shareholder's funds, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes set out on pages 3 to 25.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023 and its consolidated financial performance and its consolidated 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 consolidated financial statements* section of our report. We are independent of the Group 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 consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the UAE Laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ELGI GULF FZE AND ITS SUBSIDIARY, UNITED ARAB EMIRATES (Continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

In our opinion, all the necessary books of account and other records have been maintained in accordance with Emiri Decree No.2 of 1995 issued in Sharjah and implementing regulations issued thereunder by Sharjah Airport International Free Zone Authority.

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ELGI GULF FZE AND ITS SUBSIDIARY
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2023

	Note	2023 AED	2022 AED
Assets			
Non-current assets			
Property and equipment	3	58,765	47,164
Right of use assets	4	3,887,519	4,125,506
Total non-current assets		3,946,284	4,172,670
Current assets			
Inventories	5	6,863,516	5,700,838
Accounts and other receivables	6	3,936,995	3,662,701
Bank balances and cash	7	1,845,231	720,905
Total current assets		12,645,742	10,084,444
Total assets		16,592,026	14,257,114
Shareholder's funds and liabilities			
Shareholder's funds			
Share capital	8	150,000	150,000
Retained earnings/ (accumulated losses)		247,384	(1,397,776)
Total shareholder's funds		397,384	(1,247,776)
Liabilities			
Non-current liabilities			
Employees' terminal benefits	9	1,210,315	1,113,252
Lease liabilities – non-current portion	10	3,840,777	4,108,696
Total non-current liabilities		5,051,092	5,221,948
Current liabilities			
Lease liabilities – current portion	10	147,942	145,160
Accounts and other payables	11	10,995,608	10,137,782
Total current liabilities		11,143,550	10,282,942
Total liabilities		16,194,642	15,504,890
Total shareholder's funds and liabilities		16,592,026	14,257,114

General Manager
2 May 2023

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 AED	2022 AED
Income			
Revenue	12	34,836,635	26,025,509
Direct costs	13	(23,394,430)	(17,127,383)
Gross profit		11,442,205	8,898,126
Other income	14	129,173	--
		11,571,378	8,898,126
Expenses			
Salaries and employee related costs		7,258,401	6,488,896
General and administration	15	1,073,939	929,476
Selling and distribution	16	948,228	708,047
Depreciation	17	300,390	394,855
Finance charges	18	307,485	333,762
Allowance for expected credit losses	6	37,775	--
		9,926,218	8,855,036
Net profit and total comprehensive income for the year		1,645,160	43,090

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S FUNDS
FOR THE YEAR ENDED 31 MARCH 2023

Year to 31 March 2023	Share capital AED	(Accumulated losses)/ retained earnings AED	Total shareholder's funds AED
Balance at the beginning of the year	150,000	(1,397,776)	(1,247,776)
Income recognition			
Total comprehensive income for the year	--	1,645,160	1,645,160
Balance at the end of the year	150,000	247,384	397,384

Year to 31 March 2022	Share capital AED	(Accumulated losses) AED	Total shareholder's funds AED
Balance at the beginning of the year	150,000	(1,440,866)	(1,290,866)
Income recognition			
Total comprehensive income for the year	--	43,090	43,090
Balance at the end of the year	150,000	(1,397,776)	(1,247,776)

The attached notes 1 to 22 form part of these consolidated financial statements.

ELGI GULF FZE AND ITS SUBSIDIARY
UNITED ARAB EMIRATES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 AED	2022 AED
Cash flows from operating activities			
Total comprehensive income for the year		1,645,160	43,090
Adjustments for:			
Depreciation	17	300,390	394,855
Allowance for expected credit losses	6	37,775	--
Interest on lease payments	18	267,486	267,087
Provision for employees' terminal benefits	9	171,410	163,319
Net cash from operating activities before changes in working capital		2,422,221	868,351
Increase in inventories		(1,162,678)	(856,746)
Increase in accounts and other receivables		(312,068)	(580,269)
Increase in accounts and other payables		857,825	1,244,709
Employees' terminal benefits paid during the year	9	(74,347)	(43,853)
Net cash from operating activities		1,730,953	632,192
Cash flows from investing activities			
Purchase of property and equipment	3	(74,004)	(37,847)
Net cash used in investing activities		(74,004)	(37,847)
Cash flows from financing activities			
Lease payments	10	(532,623)	(475,350)
Net cash used in financing activities		(532,623)	(475,350)
Increase in cash and cash equivalents during the year		1,124,326	118,995
Cash and cash equivalents at beginning of the year		720,905	601,910
Cash and cash equivalents at end of the year	7	1,845,231	720,905

The attached notes 1 to 22 form part of these consolidated financial statements.

1 Legal status and principal activities

These consolidated financial statements comprise the financial statements of Elgi Gulf FZE, Sharjah Airport International Free (SAIF) Zone, Sharjah ("the Parent Company") and its subsidiary, Elgi Gulf Mechanical and Engineering Equipment Trading L.L.C., Dubai (collectively called as "the Group").

The Parent Company is a Free Zone Establishment with limited liability registered on 10 June 2008 in the SAIF Zone, United Arab Emirates in accordance with Emiri Decree No. 2 of 1995 and implementing regulations issued thereunder by the SAIF Zone Authority.

The principal activity of the Parent Company is general trading, mainly trading of compressor and pumps, and operates under license no. 06294 issued by the SAIF Zone Authority. The Parent Company also provides after sales services for industrial air compressor under license no. 20106 issued by the SAIF Zone Authority.

The principal place of business of the Parent Company is located at 600 M2, Warehouse no. P6-027 and P6-028, SAIF Zone, United Arab Emirates.

The Parent Company is wholly owned and controlled by M/s. Elgi Equipments Limited, a listed company in the National Stock Exchange of India.

The details of subsidiary which have been consolidated in the Group's consolidated financial statements are as follows:

Name of the subsidiary and country of registration	**Principal activity**	**Capital**		**Control and share of profit / loss**	
		2023	2022	2023	2022
Elgi Gulf Mechanical and Engineering Equipment Trading L.L.C, Dubai, United Arab Emirates	Trading in engines, pumps valves and machinery spare parts	49%	49%	100%	100%

Elgi Gulf Mechanical and Engineering Equipment Trading L.L.C., Dubai ("the subsidiary") is a limited liability company incorporated in the Emirate of Dubai on 19 May 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 place of business of the subsidiary 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 consolidated 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 consolidated financial statements have been prepared in Arab Emirates Dirhams.

In the current period, the Group 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 2022.

Basis of measurement

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

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

2.2 Basis of consolidation

The consolidated financial statements comprise those of the Parent Company and its subsidiary listed in Note 1. Subsidiaries which are directly or indirectly controlled by the Group are consolidated. Control is achieved where the Parent Company has power over the investees, that expose or give rights to variable returns from its involvement with the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Parent Company's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

The consolidated financial statements are based on the financial statements of the subsidiary drawn up using the standard accounting policies of the Group. Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency with the Group policies for consolidation purposes. All companies in the Group have the same reporting date of 31 March.

All significant intra-group transaction and balances between the entities in the Group are eliminated on consolidation.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss

2.3 Changes in accounting policies

New and amended standards adopted by the Group

The Group has adopted the following applicable new and amended IFRSs as of 1 April 2022:

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. This amendment had no impact on the presentation and disclosure of items in the financial statements as there were no such transactions.

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

2.3 Changes in accounting policies (Continued)

Amendments issued but not yet effective

The following standards and amendments to existing standards that are applicable to the Group have been published and are mandatory for accounting periods beginning after 1 April 2022, but which have not been early adopted by the Group:

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 Group is currently assessing the impact of the amendments on the presentation and disclosure of items in the financial statements for future periods.

b) 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.

c) 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 Group is currently assessing the impact of the amendments on the presentation and disclosure of accounting policies in the financial statements for future periods.

2.4 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.

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

2.4 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) Property and equipment

Property 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 property and equipment to their normal working condition are charged to statement of comprehensive income.

Property and equipment is 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

Property and equipment is 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
Furniture and fixtures	2
Equipment	2
Motor vehicles	2

The residual values, useful lives and methods of depreciation of property 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 Group 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 Group 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 Group typically controls the goods or services before transferring to the customers.

<u>Sale of goods</u>
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.

<u>Rendering of services</u>
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.

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

2.4 Significant accounting policies (Continued)

d) Revenue (Continued)

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.

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 Group 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 Group 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) method 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 balances and cash.

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 Group 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 Group'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.

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

2.4 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 Group'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 FVTOCI.

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 group of similar financial assets) is derecognized either when:

(i.) the rights to receive cash flows from the asset have expired;
(ii.) the Group 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 Group 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 Group 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 Group's continuing involvement in the asset.

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.

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

2.4 Significant accounting policies (Continued)

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

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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) Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. The Group 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 Group follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognized as loss allowance. The Group 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.

i) Impairment of non-financial assets

At each reporting date, the Group assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Group estimates the recoverable amount of the asset and recognizes an impairment loss in the statement of comprehensive income. The Group 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.

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

2.4 Significant accounting policies (Continued)

j) Leases

The Group 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 Group 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 (2-20 years). If the ownership of the leased asset transfers to the Group 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 Group'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 Group 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 Group 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.

k) 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.

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

2.4 Significant accounting policies (Continued)

l) Foreign currencies

Functional and presentation currency – The consolidated financial statements are presented in Arab Emirates Dirham (AED), which is the Group'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.

m) 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 Group has no expectation of settling its employees' terminal benefits obligation in the near future.

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 Group. 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.

2.5 Significant accounting estimates

The preparation of consolidated 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 property and equipment and right of use assets

A decline in the value of property and equipment and right of use assets could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property and equipment and right of use assets 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:

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

2.5 Significant accounting estimates (Continued)

Impairment of property and equipment and right of use assets (Continued)

- 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

Useful lives of property and equipment and right of use assets

The Group's management determines the estimated useful lives of its property and equipment and right of use assets 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 Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Trade accounts receivable
The Group 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 groupings 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 Group'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 Group 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.

Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there has been no revision in the lease terms.

3 Property and equipment

Year to 31 March 2023	Furniture and fixtures AED	Equipment AED	Motor vehicles AED	Total AED
Cost:				
at 31 March 2022	426,810	237,742	47,900	712,452
additions during the year	74,004	--	--	74,004
at 31 March 2023	500,814	237,742	47,900	786,456
Accumulated depreciation:				
at 31 March 2022	400,206	217,182	47,900	665,288
charge for the year (Note 17)	46,426	15,977	--	62,403
at 31 March 2023	446,632	233,159	47,900	727,691
Net book values:				
at 31 March 2023	54,182	4,583	--	58,765
at 31 March 2022	26,604	20,560	--	47,164

Year to 31 March 2022	Furniture and fixtures AED	Equipment AED	Motor vehicles AED	Total AED
Cost:				
at 31 March 2021	414,008	212,697	47,900	674,605
additions during the year	12,802	25,045	--	37,847
at 31 March 2022	426,810	237,742	47,900	712,452
Accumulated depreciation:				
at 31 March 2021	339,284	191,057	47,900	578,241
charge for the year (Note 17)	60,922	26,125	--	87,047
at 31 March 2022	400,206	217,182	47,900	665,288
Net book values:				
at 31 March 2022	26,604	20,560	--	47,164
at 31 March 2021	74,724	21,640	--	96,364

4 Right of use assets

Year to 31 March 2023	Warehouse AED	Motor vehicles AED	Total AED
Cost:			
at 31 March 2022	4,829,472	111,140	4,940,612
deletions during the year	--	(111,140)	(111,140)
31 March 2023	4,829,472	--	4,829,472
Accumulated depreciation:			
at 31 March 2022	706,464	108,642	815,106
charge for the year (Note 17)	235,489	2,498	237,987
deletions during the year	--	(111,140)	(111,140)
at 31 March 2023	941,953	--	941,953
Net book values:			
at 31 March 2023	3,887,519	--	3,887,519
at 31 March 2022	4,123,008	2,498	4,125,506

Year to 31 March 2022	Warehouse AED	Motor vehicles AED	Total AED
Cost:			
at 31 March 2021	4,829,472	249,541	5,079,013
deletions during the year	--	(138,401)	(138,401)
31 March 2022	4,829,472	111,140	4,940,612
Accumulated depreciation:			
at 31 March 2021	470,976	174,723	645,699
charge for the year (Note 17)	235,488	72,320	307,808
on deletions during the year	--	(138,401)	(138,401)
at 31 March 2022	706,464	108,642	815,106
Net book values:			
at 31 March 2022	4,123,008	2,498	4,125,506
at 31 March 2021	4,358,496	74,818	4,433,314

a) Right of use asset represents the rights obtained to use the leasehold land located in Sharjah which is leased for a period of 20 years and right of use of motor vehicles for a period of 2 to 5 years.

b) The right of use assets, resulting from lease arrangements, at initial recognition reflects the lease liabilities, initial direct costs and any lease payments made before the commencement date of the leases.

c) The Group recognizes depreciation of right of use assets in the income statement over the lease term.

5 Inventories

	2023 AED	2022 AED
Goods for resale	6,026,347	4,395,216
Goods in transit	1,710,257	2,141,813
	7,736,604	6,537,029
Less: Allowance for slow moving and obsolete items	(873,088)	(836,191)
	6,863,516	5,700,838

The movement in allowance for slow moving and obsolete inventories is as follows:

	2023 AED	2022 AED
Balance at the beginning of the year	836,191	1,140,728
Allowance for the year (Note 13)	36,897	--
Released for write off during the year	--	(304,537)
Balance at the end of the year	873,088	836,191

6 Accounts and other receivables

	2023 AED	2022 AED
Trade accounts receivable	3,558,182	2,923,234
Less: Allowance for expected credit losses	(146,996)	(141,153)
	3,411,186	2,782,081
Deposits	338,192	377,252
Advances	61,966	217,845
Prepaid expenses	125,651	184,310
VAT receivable	--	101,213
	3,936,995	3,662,701

The movement in the allowance for expected credit losses during the year is as follows:

	2023 AED	2022 AED
Balance at the beginning of the year	141,153	555,153
Allowance for the year	37,775	--
Released for write off during the year	(31,932)	(414,000)
Balance at the end of the year	146,996	141,153

a) At the reporting date, 78% of trade accounts receivable are due from 14 customers (2022 – 50% due from 14 customers).

6 Accounts and other receivables (Continued)

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

	2023 AED	2022 AED
Debts due between 0 – 90 days	3,372,282	2,377,576
Debts due between 91 – 180 days	16,621	358,205
Debts due between 181 – 360 days	2,811	21,565
Debts due between 360 – 720 days	38,781	43,866
More than 720 days	127,687	122,022
	3,558,182	2,923,234

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

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

7 Bank balances and cash

	2023 AED	2022 AED
Cash on hand	17,488	88,245
Current accounts with banks	1,827,743	632,660
Cash and cash equivalents	1,845,231	720,905

8 Share capital

	2023 AED	2022 AED
Authorized, issued and paid up capital: 1 share of AED 150,000	150,000	150,000

9 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 consolidated statement of financial position are as follows:

	2023 AED	2022 AED
Balance at the beginning of the year	1,113,252	993,786
Provided during the year	171,410	163,319
Paid during the year	(74,347)	(43,853)
Balance at the end of the year	1,210,315	1,113,252

Employees' terminal benefits provision is stated net of advances of AED 83,202 (2022 – AED 83,202) paid towards gratuity dues of certain employees.

10 Lease liabilities

Year to 31 March 2023	Warehouse AED	Motor vehicles AED	Total AED
at 31 March 2022	4,251,140	2,716	4,253,856
interest on lease liabilities (Note 18)	267,315	171	267,486
lease payments made during the year	(529,736)	(2,887)	(532,623)
at 31 March 2023	3,988,719	--	3,988,719
Less: amount due within 12 months - disclosed as current liabilities at the reporting date	(147,942)	--	(147,942)
Non-current portion of lease liabilities	3,840,777	--	3,840,777

Year to 31 March 2022	Warehouse AED	Motor vehicles AED	Total AED
at 31 March 2021	4,385,094	77,025	4,462,119
interest on lease liabilities (Note 18)	266,046	1,041	267,087
lease payments made during the year	(400,000)	(75,350)	(475,350)
at 31 March 2022	4,251,140	2,716	4,253,856
Less: amount due within 12 months - disclosed as current liabilities at the reporting date	(142,444)	(2,716)	(145,160)
Non-current portion of lease liabilities	4,108,696	--	4,108,696

a) Lease liabilities are recorded at the present value of lease payments discounted at the incremental borrowing rate at the date of initial application.

b) The incremental borrowing rate applied to the Group's lease liabilities recognized on the statement of financial position is 6.25% and 2.69% per annum.

11 Accounts and other payables

	2023 AED	2022 AED
Due to shareholder	7,631,502	8,377,670
Due to related parties	1,849,023	460,439
Payable to employees	810,647	871,420
Advance received from customers	526,595	316,370
Trade accounts payable	100,233	69,650
VAT payable	55,732	--
Accrued expenses and other payables	21,876	42,233
	10,995,608	10,137,782

12 Revenue

	2023 AED	2022 AED
Third parties	34,813,603	26,017,240
Related parties (Note 19)	23,032	8,269
	34,836,635	26,025,509

12 Revenue (Continued)

a) The geographical region wise sales/ services during the year is as follows:

	2023 AED	2022 AED
Within UAE	17,862,310	14,885,444
Outside UAE	16,974,325	11,140,065
	34,836,635	26,025,509

b) Revenue represents revenue from sale of goods and services with third party customers and related parties and are being recognized at a point in time.

13 Direct costs

	2023 AED	2022 AED
Cost of goods sold	23,357,533	17,127,383
Allowance for slow moving inventories (Note 5)	36,897	--
	23,394,430	17,127,383

14 Other income

	2023 AED	2022 AED
Gain on foreign currency fluctuation	129,173	--
	129,173	--

15 General and administration expenses

	2023 AED	2022 AED
Repairs and maintenance	665,876	607,402
Legal and professional expenses	108,219	82,896
Communication expenses	108,208	116,502
Short term leases	87,081	36,296
Water and electricity	33,428	38,567
Insurance	17,086	15,971
Printing and stationery	14,106	10,451
Loss on foreign currency fluctuation	--	11,755
Others	39,935	9,636
	1,073,939	929,476

16 Selling and distribution expenses

	2023 AED	2022 AED
Transportation charges	659,776	554,826
Advertisement expenses	192,489	89,667
After sales services	39,229	45,500
Miscellaneous expenses	56,734	18,054
	948,228	708,047

17 Depreciation

	2023 AED	2022 AED
Depreciation on property and equipment (Note 3)	62,403	87,047
Depreciation on right of use asset (Note 4)	237,987	307,808
	300,390	394,855

18 Finance charges

	2023 AED	2022 AED
Interest on lease liabilities (Note 10)	267,486	267,087
Bank charges	39,999	66,675
	307,485	333,762

19 Related party transactions

The Group 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	2023 AED	2022 AED
General Manager	General manager remuneration	387,072	340,212
Companies in which Directors or their family have significant/ controlling interest	Revenue (Note 12)	23,032	8,269
	Purchases (Direct costs)	20,429,639	15,275,499

The amounts due to / from related parties are unsecured, interest free and are payable or receivable on demand.

20 Financial risk and capital management

20.1 Financial risk factors

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

The Group'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 Group'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 Group operates mainly in the Middle East region. The currencies of many countries in the Middle East region in which the Group 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.

20 Financial risk and capital management (Continued)

20.1 Financial risk factors (Continued)

b) Credit risk

The Group has significant concentrations of credit risk at the reporting date (Notes 6 a)). 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 Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

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

31 March 2023	On demand AED	0-3 months AED	3-12 months AED	More than 12 months AED	Total AED
Due to shareholder	7,631,502	--	--	--	7,631,502
Lease liabilities	--	--	147,942	3,840,777	3,988,719
Due to related parties	1,849,023	--	--	--	1,849,023
Employee payables	--	810,647	--	--	810,647
Trade accounts payable	--	100,233	--	--	100,233
VAT payable	--	55,732	--	--	55,732
Accrued expenses and other payables	--	21,876	--	--	21,876
	9,480,525	988,488	147,942	3,840,777	14,457,732

31 March 2022	On demand AED	0-3 months AED	3-12 months AED	More than 12 months AED	Total AED
Lease liabilities	--	--	145,160	4,108,696	4,253,856
Trade accounts payable	--	69,650	--	--	69,650
Due to shareholder	8,377,670	--	--	--	8,377,670
Due to related parties	460,439	--	--	--	460,439
Employee payables	--	871,420	--	--	871,420
Accrued expenses and other payables	--	42,233	--	--	42,233
	8,838,109	983,303	145,160	4,108,696	14,075,268

20.2 Capital management

The Group'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 shareholder by pricing products and services commensurately with the level of risk. The Group sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Group manages the shareholder's 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 shareholder's funds, the Group may adjust the amount of dividends paid to shareholder, return funds to shareholder, issue new shares, or sell assets to reduce its exposure to debt.

21 Contingent liabilities and commitments

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

22 Comparative figures

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