

**ELGI GULF (FZE)  
SHARJAH AIRPORT INTERNATIONAL FREE ZONE  
SHARJAH**

**FINANCIAL STATEMENTS  
31 MARCH 2025**

**ELGI GULF (FZE)  
SHARJAH AIRPORT INTERNATIONAL FREE ZONE  
SHARJAH**

**FINANCIAL STATEMENTS  
31 MARCH 2025**

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Ref: A/2025/4/1028

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ELGI GULF (FZE), SHARJAH AIRPORT INTERNATIONAL FREE ZONE, SHARJAH**

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

#### **Opinion**

We have audited the financial statements of Elgi Gulf (FZE), Sharjah Airport International Free Zone, Sharjah ("the Establishment") United Arab Emirates, which comprise the statement of financial position as at 31 March 2025, statement of comprehensive income, statement of changes in shareholder's funds, statement of cash flows for the year then ended and notes to the financial statements, including a summary of material accounting policies and other explanatory notes set out on pages 3 to 25.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Establishment as at 31 March 2025 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Accounting Standards").

#### **Basis for opinion**

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

#### **Other matter**

The financial statements of the Establishment for the year ended 31 March 2024 were audited by another auditor who expressed an unqualified opinion on those financial statements on 15 May 2024.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and in accordance with Emiri Decree No. 2 of 1995 and implementing regulations issued thereunder by the SAIF Zone Authority and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Ref: A/2025/4/1028

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ELGI GULF (FZE), SHARJAH AIRPORT INTERNATIONAL FREE ZONE, SHARJAH (Continued)**

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


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

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

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

**Report on other legal and regulatory requirements**

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.

  
Benny A. Bejoy  
Registration No. 5569

Partner  
VIBE Auditors L.L.C



Dubai  
23 April 2025

**ELGI GULF (FZE)  
SHARJAH AIRPORT INTERNATIONAL FREE ZONE, SHARJAH**

**STATEMENT OF FINANCIAL POSITION  
AT 31 MARCH 2025**

	Note	2025 AED	2024 AED
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	3	17,305	29,486
Right of use assets	4	4,288,749	4,574,661
Investment in subsidiary	5	300,000	300,000
		-----	-----
Total non-current assets		4,606,054	4,904,147
		-----	-----
<b>Current assets</b>			
Inventories	6	4,888,208	4,638,192
Accounts and other receivables	7	5,455,378	4,893,540
Loan to related party	8	1,788,665	--
Bank balances and cash	9	5,752,375	5,429,507
		-----	-----
Total current assets		17,884,626	14,961,239
		-----	-----
Total assets		22,490,680	19,865,386
		=====	=====
<b>Shareholder's funds and liabilities</b>			
<b>Shareholder's funds</b>			
Share capital	10	150,000	150,000
Retained earnings		6,019,849	780,896
		-----	-----
Total shareholder's funds		6,169,849	930,896
		-----	-----
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employees' terminal benefits	11	1,362,281	1,075,517
Lease liabilities – non-current portion	12	4,369,744	4,706,327
		-----	-----
Total non-current liabilities		5,732,025	5,781,844
		-----	-----
<b>Current liabilities</b>			
Lease liabilities – current portion	12	99,966	162,150
Accounts and other payables	13	10,488,840	12,990,496
		-----	-----
Total current liabilities		10,588,806	13,152,646
		-----	-----
Total liabilities		16,320,831	18,934,490
		-----	-----
Total shareholder's funds and liabilities		22,490,680	19,865,386
		=====	=====



Mohammad Khalid Saifullah  
General Manager  
23 April 2025



The attached notes 1 to 25 form part of these financial statements.

**ELGI GULF (FZE)  
SHARJAH AIRPORT INTERNATIONAL FREE ZONE, SHARJAH**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2025**

	Note	2025 AED	2024 AED
<b>Income</b>			
Revenue	14	61,259,579	34,566,307
Direct costs	15	(45,030,326)	(30,068,128)
Gross profit		16,229,253	4,498,179
Other income	16	111,412	7,431,764
		16,340,665	11,929,943
<b>Expenses</b>			
Salaries and employee related costs		8,067,415	7,786,271
General and administration	17	1,107,053	1,145,190
Selling and distribution	18	1,322,731	1,247,455
Depreciation	19	309,993	316,227
Finance charges	20	294,520	291,720
		11,101,712	10,786,863
<b>Net profit and total comprehensive income before tax</b>		5,238,953	1,143,080
Corporate tax expense	24	--	--
<b>Net profit and total comprehensive income for the year</b>		5,238,953	1,143,080




Mohammad Khalid Saifullah  
General Manager  
23 April 2025

The attached notes 1 to 25 form part of these financial statements.

**ELGI GULF (FZE)**  
**SHARJAH AIRPORT INTERNATIONAL FREE ZONE, SHARJAH**

**STATEMENT OF CHANGES IN SHAREHOLDER'S FUNDS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

	Share capital AED	Retained earnings AED	Total shareholder's funds AED
<b>Year to 31 March 2025</b>			
Balance at the beginning of the year	150,000	780,896	930,896
<b>Income recognition</b>			
Total comprehensive income for the year	--	5,238,953	5,238,953
	---	-----	-----
Balance at the end of the year	150,000	6,019,849	6,169,849
	=====	=====	=====
		(Accumulated losses)/ retained earnings AED	Total shareholder's funds AED
<b>Year to 31 March 2024</b>			
Balance at the beginning of the year	150,000	(362,184)	(212,184)
<b>Income recognition</b>			
Total comprehensive income for the year	--	1,143,080	1,143,080
	---	-----	-----
Balance at the end of the year	150,000	780,896	930,896
	=====	=====	=====

The attached notes 1 to 25 form part of these financial statements.

**ELGI GULF (FZE)  
SHARJAH AIRPORT INTERNATIONAL FREE ZONE, SHARJAH**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2025**

	Note	2025 AED	2024 AED
<b>Cash flows from operating activities</b>			
Net profit before tax for the year		5,238,953	1,143,080
Adjustments for:			
Depreciation	19	309,993	316,227
Interest on lease payments	20	265,078	278,068
Provision for employees' terminal benefits	11	320,625	372,250
		-----	-----
Net cash from operating activities before changes in working capital		6,134,649	2,109,625
(Increase)/ decrease in inventories		(250,016)	2,027,599
Increase in accounts and other receivables		(561,838)	(1,389,080)
(Decrease)/ increase in accounts and other payables		(2,501,655)	2,047,733
Employees' terminal benefits paid during the year	11	(33,862)	(273,234)
Employees' terminal benefits transferred during the year	11	--	(213,410)
		---	-----
Net cash from operating activities		2,787,278	4,309,233
		-----	-----
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	3	(11,900)	(26,163)
		-----	-----
Net cash used in investing activities		(11,900)	(26,163)
		-----	-----
<b>Cash flows from financing activities</b>			
Payment of loan to related party		(1,788,665)	--
Lease payments	12	(663,845)	(348,116)
		-----	-----
Net cash used in financing activities		(2,452,510)	(348,116)
		-----	-----
Increase in cash and cash equivalents during the year		322,868	3,934,954
Cash and cash equivalents at beginning of the year		5,429,507	1,494,553
		-----	-----
Cash and cash equivalents at end of the year	9	5,752,375	5,429,507
		=====	=====

The attached notes 1 to 25 form part of these financial statements.

**ELGI GULF (FZE)  
SHARJAH AIRPORT INTERNATIONAL FREE ZONE, SHARJAH**

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 MARCH 2025**

**1 Legal status and principal activities**

Elgi Gulf (FZE), Sharjah Airport International Free (SAIF) Zone, Sharjah (“the Establishment”) 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 as amended by Emiri Decree No. 28 of 2023 and implementing regulations issued thereunder by the SAIF Zone Authority.

The principal activity of the Establishment is general trading, mainly trading of compressor and pumps, and operates under license no. 06294 issued by the SAIF Zone Authority. The Establishment 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 Establishment is located at 600 M2, Warehouse no. P6-027 and P6-028, SAIF Zone, United Arab Emirates.

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

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

**2.1 Basis of preparation**

These financial statements represent the separate financial statements of the Establishment which are prepared for local reporting purposes in which the investment in subsidiary is accounted for using the cost method of accounting (Note 2.4d). Consolidated financial statements incorporating the assets, liabilities and results of operations of the subsidiary have been prepared.

**Statement of compliance**

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

In the current period, the Establishment 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 2024.

**Basis of measurement**

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

**2.2 Changes in accounting policies**

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

New and amended standards effective as of 1 April 2024 were either not relevant to the Establishment or did not have any material impact on the presentation and disclosure of items on the financial statements of the Establishment.

**Amendments issued but not yet effective**

The following standards and amendments to existing standards that are applicable to the Establishment have been published and are mandatory for accounting periods beginning after 1 April 2024, but which have not been early adopted by the Establishment:

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2025**

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

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

a) IFRS 18 'Presentation and Disclosures in Financial Statements'

IFRS 18 replaces IAS 1 Presentation of Financial Statements. Many requirements in IAS 1 have been carried forward without any amendments and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Furthermore, minor amendments have been made to IAS 7 Statement of Cash Flows and IAS 33 Earnings Per Share.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

The revised IAS 8 and IFRS 7 as well as the amendments to IAS 7 and IAS 33 become effective when an entity applies IFRS 18.

The amendments are effective for annual reporting periods beginning on or after 1 April 2027 and must be applied retrospectively with specific transition provisions. Earlier application is permitted. The Establishment is currently assessing the impact of the amendments on the presentation and disclosure of items in the financial statements for future periods.

b) IFRS 19 'Subsidiaries without Public Accountability: Disclosures'

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply IFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

A subsidiary has public accountability if:

- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statement may do so in its separate financial statements. If an entity elects to apply IFRS 19 for a reporting period earlier than the reporting period in which it first applies IFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to IFRS 19.

The amendments are effective for annual reporting periods beginning on or after 1 January 2027 and must be applied retrospectively. Earlier application is permitted. The amendments are not expected to have a material impact on the presentation and disclosure of items in the financial statements for future periods.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2025**

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

**2.3 Material 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.

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) Investment in subsidiary**

Investment in subsidiary is carried at cost, less any impairment provisions.

**e) Revenue**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Establishment 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 Establishment 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 Establishment typically controls the goods or services before transferring to the customers.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2025**

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

**2.3 Material accounting policies (Continued)**

**e) Revenue (Continued)**

Sale of goods

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

Rendering of services

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

Others

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

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 Establishment 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 Establishment 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.

**f) 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.

**g) Cash and cash equivalents**

Cash and cash equivalents consist of bank balances and cash.

**h) 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 Establishment becomes a party to the contractual provisions of the instrument.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2025**

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

**2.3 Material accounting policies (Continued)**

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

**Recognition and initial measurement (Continued)**

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 Establishment'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.

**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 Establishment'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 Establishment of similar financial assets) is derecognized either when:

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2025**

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

**2.3 Material accounting policies (Continued)**

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

**Derecognition (Continued)**

- (i.) the rights to receive cash flows from the asset have expired;
- (ii.) the Establishment 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 Establishment 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 Establishment 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 Establishment'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.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Establishment 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.

**i) Impairment of financial assets**

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. The Establishment 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 Establishment 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 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2025**

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

**2.3 Material accounting policies (Continued)**

**i) Impairment of financial assets (Continued)**

In case of trade receivables, the Establishment follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognized as loss allowance. The Establishment 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.

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

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

**k) Leases**

The Establishment 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 Establishment 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 Establishment 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 Establishment'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 Establishment 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2025**

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

**2.3 Material accounting policies (Continued)**

**k) Leases (Continued)**

As a lessor

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

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

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

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

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

**m) Income tax**

Corporate tax has been implemented in the UAE by way of Federal Decree No. 47 of 2022 – Taxation of Corporations and Businesses and is effective from financial years commencing on or after 1 June 2023.

Current income tax – current income tax receivable/ payable is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss.

Deferred tax – deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

**n) Foreign currencies**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2025**

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

**2.3 Material accounting policies (Continued)**

**n) Foreign currencies (Continued)**

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.

**o) 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 Establishment has no expectation of settling its employees' terminal benefits obligation in the near future.

**p) 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 Establishment. It can also be a present obligation arising from the past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are not recognized but are disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as provision.

**2.4 Significant accounting estimates**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are:

**Impairment of 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 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:

- 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 Establishment'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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2025**

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

**2.4 Significant accounting estimates (Continued)**

**Impairment of financial assets**

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

Trade accounts receivable

The Establishment 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 Establishment 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 Establishment'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 Establishment 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 Establishment 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.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2025**

**3 Property and equipment**

<b>Year to 31 March 2025</b>	<b>Furniture and fixtures AED</b>	<b>Equipment AED</b>	<b>Motor vehicles AED</b>	<b>Total AED</b>
<b>Cost:</b>				
at 31 March 2024	221,346	97,737	47,900	366,983
additions during the year	11,240	660	--	11,900
	-----	----	----	-----
at 31 March 2025	232,586	98,397	47,900	378,883
	-----	-----	-----	-----
<b>Accumulated depreciation:</b>				
at 31 March 2024	213,191	76,406	47,900	337,497
charge for the year (Note 19)	10,856	13,213	--	24,081
	-----	-----	----	-----
at 31 March 2025	224,047	89,619	47,900	361,578
	-----	-----	-----	-----
<b>Net book values:</b>				
at 31 March 2025	8,539	8,778	--	17,305
	=====	=====	==	=====
at 31 March 2024	8,155	21,331	--	29,486
	=====	=====	==	=====
<b>Year to 31 March 2024</b>	<b>Furniture and fixtures AED</b>	<b>Equipment AED</b>	<b>Motor vehicles AED</b>	<b>Total AED</b>
<b>Cost:</b>				
at 31 March 2023	496,813	237,742	47,900	782,455
additions during the year	398	25,765	--	26,163
disposals during the year	(275,865)	(165,770)	--	(441,635)
	-----	-----	----	-----
at 31 March 2024	221,346	97,737	47,900	366,983
	-----	-----	-----	-----
<b>Accumulated depreciation:</b>				
at 31 March 2023	446,132	231,538	47,900	725,570
charge for the year (Note 19)	42,924	10,638	--	53,563
on disposals during the year	(275,865)	(165,770)	--	(441,635)
	-----	-----	----	-----
at 31 March 2024	213,191	76,406	47,900	337,497
	-----	-----	-----	-----
<b>Net book values:</b>				
at 31 March 2024	8,155	21,331	--	29,486
	=====	=====	==	=====
at 31 March 2023	50,681	6,204	--	56,885
	=====	=====	==	=====

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2025**

**4 Right of use assets**

<b>Year to 31 March</b>	<b>2025 AED</b>	<b>2024 AED</b>
<b>Cost:</b>		
at the beginning of the year	5,779,278	4,829,472
modification during the year (Note 12)	--	949,806
	-----	-----
at the end of the year	5,779,278	5,779,278
	-----	-----
<b>Accumulated depreciation:</b>		
at the beginning of the year	1,204,617	941,953
charge for the year (Note 19)	285,912	262,664
	-----	-----
at the end of the year	1,490,529	1,204,617
	-----	-----
<b>Net book values:</b>		
At 31 March	4,288,749	4,574,661
	=====	=====

- 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.
- 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. Modified lease liability on account of increase in lease rental has been accounted for as an adjustment to right of use asset in the previous year.
- c) The Establishment recognizes depreciation of right of use assets in the income statement over the lease term.

<b>5 Investment in subsidiary</b>	<b>2025 AED</b>	<b>2024 AED</b>
Elgi Gulf Mechanical and Engineering Equipment Trading L.L.C, Dubai (300 shares of AED 1,000 each)	300,000	300,000
	=====	=====

During the previous year, the Establishment has acquired the remaining 51% in the subsidiary and holds 100% shares in the subsidiary. The principal activity of the subsidiary is trading in engines, pump valves and machinery spare parts. The place of incorporation and operation of the subsidiary is in Dubai, United Arab Emirates.

<b>6 Inventories</b>	<b>2025 AED</b>	<b>2024 AED</b>
Goods for resale	5,180,765	4,164,532
Goods in transit	439,411	1,187,195
	-----	-----
	5,620,176	5,351,727
Less: Allowance for slow moving and obsolete items	(731,968)	(713,535)
	-----	-----
	4,888,208	4,638,192
	=====	=====

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2025**

**6 Inventories (Continued)**

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

	2025 AED	2024 AED
Balance at the beginning of the year	713,535	873,088
Allowance for the year (Note 15)	18,433	--
Released for write off during the year	--	(159,553)
	---	-----
Balance at the end of the year	731,968	713,535
	=====	=====

**7 Accounts and other receivables**

	2025 AED	2024 AED
Trade accounts receivable	4,582,471	3,363,986
Less: Allowance for expected credit losses	(40,145)	(124,309)
	-----	-----
	4,542,326	3,239,677
Deposits	480,399	454,541
Prepaid expenses	381,515	109,574
Interest receivable (Notes 16 and 21)	51,138	--
Due from subsidiary	--	799,253
VAT receivable	--	290,495
	---	-----
	5,455,378	4,893,540
	=====	=====

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

	2025 AED	2024 AED
Balance at the beginning of the year	124,309	136,440
Released for write off during the year	(84,164)	(12,131)
	-----	-----
Balance at the end of the year	40,145	124,309
	=====	=====

a) At the reporting date, 94% of trade accounts receivable are due from 4 customers (2024 – 77% due from 4 customers).

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

	2025 AED	2024 AED
Debts due between 0 – 90 days	4,530,006	3,206,310
Debts due between 91 – 180 days	51	2,625
Debts due between 181 – 360 days	--	38,181
Debts due between 360 – 720 days	17,100	184
More than 720 days	35,313	116,686
	-----	-----
	4,582,471	3,363,986
	=====	=====

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 and due from related parties are considered collectible based on historic experience.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2025**

**8 Loan to related party**

The loan denominated in United States Dollars has been granted towards the short term working capital requirements and business expenditure of a related party, M/s. Elgi Compressors (M) Sdn. Bhd., Malaysia based on the terms agreed between the Establishment and the related party. This loan is unsecured, carries interest at the rate of 5.9% per annum and is repayable within a period of 12 months.

<b>9 Bank balances and cash</b>	2025 AED	2024 AED
Cash on hand	74,252	72,143
Current accounts with banks	5,678,123	5,357,364
	-----	-----
Cash and cash equivalents	5,752,375	5,429,507
	=====	=====
<b>10 Share capital</b>	2025 AED	2024 AED
Authorized, issued and paid up capital: 1 share of AED 150,000	150,000	150,000
	=====	=====

**11 Employees' terminal benefits**

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

	2025 AED	2024 AED
Balance at the beginning of the year	1,075,517	1,189,911
Provided during the year	320,625	372,250
Paid during the year	(33,862)	(273,234)
Transferred to related party (Note 21)	--	(213,410)
	---	-----
Balance at the end of the year	1,362,281	1,075,517
	=====	=====

Employees' terminal benefits provision is stated net of advances of AED 83,202 (2024 - AED 83,202) paid towards gratuity dues of certain employees.

**12 Lease liabilities**

	2025 AED	2024 AED
at the beginning of the year	4,868,477	3,988,719
interest on lease liabilities (Note 20)	265,078	278,068
modification during the year (Note 4)	--	949,806
lease payments made during the year	(663,845)	(348,116)
	-----	-----
at the end of the year	4,469,710	4,868,477
Less: amount due within 12 months - disclosed as current liabilities at the reporting date	(99,966)	(162,150)
	-----	-----
Non-current portion of lease liabilities	4,369,744	4,706,327
	=====	=====

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2025**

**12 Lease liabilities (Continued)**

- a) Lease liabilities are recorded at the present value of lease payments discounted at the incremental borrowing rate at the date of initial application. Modified lease liability on account of increase in lease rental has been accounted for as an adjustment to the right of use asset in the previous year.
- b) The incremental borrowing rate applied to the Establishment's lease liabilities recognized on the statement of financial position is 6.25% per annum.
- c) Lease payments in the current year includes AED 236,615 relating to advance payments for the 6 months period ending 30 September 2025.

<b>13 Accounts and other payables</b>	2025 AED	2024 AED
Due to subsidiary	3,754,325	--
Due to shareholder	3,494,711	10,471,721
Advance received from customers	1,009,839	998,465
Payable to employees	884,916	767,439
Due to related parties	831,927	489,263
VAT payable	383,006	--
Trade accounts payable	109,592	240,553
Accrued expenses and other payables	20,524	23,055
	-----	-----
	10,488,840	12,990,496
	=====	=====

<b>14 Revenue</b>	2025 AED	2024 AED
Third parties	42,230,691	22,151,004
Related parties (Note 21)	19,028,888	12,415,303
	-----	-----
	61,259,579	34,566,307
	=====	=====

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

	2025 AED	2024 AED
Within UAE	22,167,727	27,396,136
Outside UAE	39,091,852	7,170,171
	-----	-----
	61,259,579	34,566,307
	=====	=====

- 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.

<b>15 Direct costs</b>	2025 AED	2024 AED
Opening stock	4,638,192	6,665,791
Purchases	45,179,646	27,972,021
Closing stock (Note 6)	(4,888,208)	(4,638,192)
	-----	-----
Cost of goods sold	44,929,630	29,999,620
Allowance for slow moving and obsolete inventories (Note 6)	18,433	--
Other direct costs	82,263	68,508
	-----	-----
	45,030,326	30,068,128
	=====	=====

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2025**

<b>16 Other income</b>	2025 AED	2024 AED
Gain on foreign currency fluctuation	60,274	123,396
Interest on loan to related party (Note 7 and 21)	51,138	--
Management fee (Note 21)	--	7,308,368
	----	-----
	111,412	7,431,764
	=====	=====

Management fee in the previous year represents fee receivable from the subsidiary based on the terms of arrangement entered between the Establishment and the subsidiary.

<b>17 General and administration expenses</b>	2025 AED	2024 AED
Repairs and maintenance	655,826	719,322
Communication expenses	132,308	137,129
Short term leases	120,687	82,471
Legal and professional expenses	103,276	110,000
Water and electricity	29,638	29,084
Insurance	15,618	19,376
Printing and stationery	4,911	21,936
Others	44,789	25,872
	-----	-----
	1,107,053	1,145,190
	=====	=====

<b>18 Selling and distribution expenses</b>	2025 AED	2024 AED
Transportation charges	744,142	904,295
Advertisement expenses	428,435	303,926
After sales services	73,018	30,382
Miscellaneous expenses	77,136	8,852
	-----	-----
	1,322,731	1,247,455
	=====	=====

<b>19 Depreciation</b>	2025 AED	2024 AED
Depreciation on property and equipment (Note 3)	24,081	53,563
Depreciation on right of use asset (Note 4)	285,912	262,664
	-----	-----
	309,993	316,227
	=====	=====

<b>20 Finance charges</b>	2025 AED	2024 AED
Interest on lease liabilities (Note 12)	265,078	278,068
Bank charges	29,442	13,652
	-----	-----
	294,520	291,720
	=====	=====

**21 Related party transactions**

The Establishment 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.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AT 31 MARCH 2025**

**21 Related party transactions (Continued)**

The volumes of these transactions during the year were:

Related party relationship	Type of transaction	2025 AED	2024 AED
General Manager	General manager remuneration (salaries and employee related costs)	755,920	544,417
	Revenue (Note 14)	19,028,888	12,415,303
Companies in which Directors or their family have significant/controlling interest	Management fee (Note 16)	--	7,308,368
	Purchases (Direct costs)	41,830,299	25,462,026
	Interest on loan to related party (Note 7 and 16)	51,138	--
	Transfer of employee terminal benefits (Note 11)	--	213,410
		==	=====

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

**22 Financial risk and capital management**

**22.1 Financial risk factors**

Financial assets of the Establishment include accounts and other receivables, loan to related party 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 Establishment'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 Establishment'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 Establishment operates mainly in the Middle East region. The currencies of many countries in the Middle East region in which the Establishment operates is fixed to the Arab Emirates Dirham and therefore the exposure to foreign exchange risk arising from transactions in those currencies is not material.

**b) Credit risk**

The Establishment has significant concentrations of credit risk at the reporting date (Note 7 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 Establishment manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

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

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2025**

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

**22.1 Financial risk factors (Continued)**

**c) Liquidity risk (Continued)**

31 March 2025	On demand AED	0-3 months AED	3-12 months AED	More than 12 months AED	Total AED
Lease liabilities	--	--	99,966	4,369,744	4,469,710
Trade accounts payable	--	109,592	--	--	109,592
Due to subsidiary	3,754,325	--	--	--	3,754,325
Due to shareholder	3,494,711	--	--	--	3,494,711
Due to related parties	831,927	--	--	--	831,927
Employee payables	--	884,916	--	--	884,916
VAT payable	--	383,006	--	--	383,006
Accrued expenses and other payables	--	20,524	--	--	20,524
	---	-----	---	---	-----
	8,080,963	1,398,038	99,966	4,369,744	13,948,711
	=====	=====	=====	=====	=====

31 March 2024	On demand AED	0-3 months AED	3-12 months AED	More than 12 months AED	Total AED
Lease liabilities	--	--	162,150	4,706,327	4,868,477
Trade accounts payable	--	240,553	--	--	240,553
Due to shareholder	10,471,721	--	--	--	10,471,721
Due to related parties	489,263	--	--	--	489,263
Employee payables	--	767,439	--	--	767,439
Accrued expenses and other payables	--	23,055	--	--	23,055
	---	-----	---	---	-----
	10,960,984	1,031,047	162,150	4,706,327	16,860,508
	=====	=====	=====	=====	=====

**22.2 Capital management**

The Establishment'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 Establishment sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Establishment 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 Establishment 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.

**23 Contingent liabilities and commitments**

	2025 AED	2024 AED
Guarantee	56,771,000	--
	=====	==

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT 31 MARCH 2025**

**23 Contingent liabilities and commitments (Continued)**

Corporate guarantee amounting to Euro 14,300,000 (2024 – Nil) has been given by the Parent Company towards the credit facilities granted by a foreign bank to a related party, M/s. Elgi Compressors Europe SRL, Belgium, Europe.0020

There were no significant capital commitments at the reporting date.

**24 Corporate tax**

Corporate tax is applicable for the Establishment from 1 April 2024. The Establishment is registered in the Sharjah Airport International Free Zone and qualifies to be a free zone person based on the assessment made by the management in meeting all the conditions stipulated in Article 18 of the Corporate Tax Law and the Cabinet Decision No. 100 of 2023 and Ministerial Decision No.265 of 2023 on Determining Qualifying Income for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and any subsequent amendments or related regulations. As a result of the Establishment's status as a Qualifying Free Zone Person and the application of the 0% corporate tax rate on Qualifying Income, no current tax or deferred tax is recognized in these financial statements in relation to such income.

**25 Comparative figures**

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