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**ELECTROSTEEL CASTINGS GULF FZE**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED 31 MARCH 2024**

# ELECTROSTEEL CASTINGS GULF FZE

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2024

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of **ELECTROSTEEL CASTINGS GULF FZE**

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of **ELECTROSTEEL CASTINGS GULF FZE** (the "Establishment"), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Establishment as at 31 March 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Establishment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates (U.A.E), 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.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**INDEPENDENT AUDITOR'S REPORT**

(continued)

Key audit matters	How our audit addressed the key audit matter
<b>Inventories</b>	
<p>The Establishment deals with various types of finished goods products such as ductile iron pipes and fittings. The total inventory of such goods amount to AED 254,632 as 31 March 2024 (refer note 8), out of which AED 248,168 is goods-in-transit. We determined this to be a matter of significance to our audit due to quantum of the amount and estimation involved.</p>	<p>We have performed a combination of test of controls, analytical review procedures and specific substantive audit procedures to test closing balances of inventories including goods-in-transit for which we ensured that these are received subsequent to the reporting date.</p>
<b>Trade receivables</b>	
<p>Significant management judgement is involved in addressing the concentration and related credit risk associated with trade receivables balances. As such, we consider this to be a key audit matter.</p>	<p>We have performed a combination of test of controls, analytical review procedures and specific substantive audit procedures to test trade receivables balances, related transactions and to identify inconsistencies and unusual movements, if any.</p>
<b>Revenue recognition</b>	
<p>The Establishment focuses on revenue as a key performance measure and as a driver for growth. Due to materiality of the amounts involved and susceptibility of such revenues to overstatement and fraud risks, we assessed revenue recognition as a key audit matter.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Considered the appropriateness and tested the consistency of the Establishment's revenue recognition accounting policies;</li> <li>• Assessed the compliance of such policies with the applicable International Financial Reporting Standards. (IFRSs);</li> <li>• Evaluated the control environment and tested internal control over the completeness and occurrence of such transactions;</li> <li>• Obtained a representative sample of transactions and tested their proper recording and recognition;</li> <li>• Selected a sample of transactions before and after 31 March 2024 cut-off date to check proper recognition in the correct period; and</li> <li>• Performed substantive analytical procedures and data analytics on monthly gross margins and revenues to identify inconsistencies and/or unusual movements during the year.</li> </ul>

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**INDEPENDENT AUDITOR'S REPORT**

(continued)

<b>Related party balances and transactions</b>	
<p>Significant management judgement is involved in determining the disclosures required by IFRS 7 and IAS 24 to address the concentration and related risks and related party disclosures arising from this balance and the income arising from it. As such, we consider this to be a key audit matter.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Performed a combination of test of controls, analytical review procedures and specific substantive audit procedures to test related party balances and transactions and to identify inconsistencies and unusual movements, if any; and</li> <li>• Reviewed the agreements entered into with the related parties and also re-performed the calculation of interest income on a sample basis to determine whether it has been recognized in accordance with International Financial Reporting Standards.</li> </ul>

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for their compliance with the applicable provisions of the Jebel Ali Free Zone Companies Implementing Regulations 2016, and for such internal control as management determines is necessary to enable the preparation of the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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**INDEPENDENT AUDITOR'S REPORT**

(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 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 gives a true and fair view.

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.

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**INDEPENDENT AUDITOR'S REPORT**

(continued)

**Report on Other Legal and Regulatory Requirements**

We further confirm that the financial statements comply with the applicable provisions of the Jebel Ali Free Zone Companies Implementing Regulations 2016. Also, in our opinion, proper books of account and other records have been maintained in accordance with the said regulations.

For PKF

**S.D. Pereira**

Partner

Registration No. 552

Dubai

United Arab Emirates

29 April 2024



# ELECTROSTEEL CASTINGS GULF FZE

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

	Notes	2024 AED	2023 AED
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	--	1,731
Non-current financial assets	7	104,340	104,340
		<u>104,340</u>	<u>106,071</u>
<b>Current assets</b>			
Inventories	8	254,632	3,467,929
Trade and other receivables	9	2,939,598	2,717,247
Other current assets	10	188,572	2,971,922
Short-term loan to a related party	12	1,871,336	2,569,000
Cash and cash equivalents	13	883,191	1,097,228
		<u>6,137,329</u>	<u>12,823,326</u>
<b>Total assets</b>		<u><b>6,241,669</b></u>	<u><b>12,929,397</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity funds</b>			
Share capital	14	1,000,000	1,000,000
Retained earnings		3,746,611	7,328,873
<b>Total equity funds</b>		<u><b>4,746,611</b></u>	<u><b>8,328,873</b></u>
<b>Non-current liabilities</b>			
Provision for staff end-of-service benefits	15	154,385	137,130
<b>Current liabilities</b>			
Trade and other payables	16	883,395	3,977,203
Other current liabilities	17	457,278	486,191
		<u>1,340,673</u>	<u>4,463,394</u>
<b>Total liabilities</b>		<u><b>1,495,058</b></u>	<u><b>4,600,524</b></u>
<b>Total equity and liabilities</b>		<u><b>6,241,669</b></u>	<u><b>12,929,397</b></u>

The accompanying notes form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 1 to 5.

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgments underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

Approved and authorised for issue on 22 April 2024 and signed by Mr. Shivendra Agarwal.

For ELECTROSTEEL CASTINGS GULF FZE

  
**SHIVENDRA AGARWAL**  
**MANAGER**





## ELECTROSTEEL CASTINGS GULF FZE

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 AED	2023 AED
Revenue	20	10,358,070	7,524,964
Purchases of inventories (including direct costs)		(7,978,784)	(5,868,476)
Changes in inventories		(227,274)	(153,119)
Gross profit		2,152,012	1,503,369
Other operating income	21	1,024,359	2,592,514
Staff costs	22	(1,146,651)	(1,303,560)
Depreciation	6	(1,731)	(1,996)
Other operating expenses	23	(1,976,587)	(2,307,320)
Interest income	24	36,336	--
<b>PROFIT FOR THE YEAR</b>		<b>87,738</b>	<b>483,007</b>
<b>Other comprehensive income:</b>			
Other comprehensive income for the year		--	--
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>87,738</b>	<b>483,007</b>

The accompanying notes form an integral part of these financial statements.  
The report of the independent auditor is set forth on pages 1 to 5.

## ELECTROSTEEL CASTINGS GULF FZE

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2024

	Share capital AED	Retained earnings AED	Total AED
Balance at 1 April 2022	1,000,000	9,047,866	10,047,866
Total comprehensive income for the year	--	483,007	483,007
Dividends declared and paid during the year (note 19)	--	(2,202,000)	(2,202,000)
Balance at 31 March 2023	1,000,000	7,328,873	8,328,873
Total comprehensive income for the year	--	87,738	87,738
Dividends declared and paid during the year (note 19)	--	(3,670,000)	(3,670,000)
Balance at 31 March 2024	<u>1,000,000</u>	<u>3,746,611</u>	<u>4,746,611</u>

The accompanying notes form an integral part of these financial statements.  
The report of the independent auditor is set forth on pages 1 to 5.

# ELECTROSTEEL CASTINGS GULF FZE

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

	2024 AED	2023 AED
<b>Cash flows from operating activities</b>		
Profit for the year	87,738	483,007
Adjustments for:		
Depreciation of property, plant and equipment	1,731	1,996
Interest income	(36,336)	--
Provision for staff end-of-service benefits	17,255	16,870
	<u>70,388</u>	<u>501,873</u>
Changes in:		
- Inventories	3,213,297	(2,166,139)
- Trade and other receivables	(222,351)	11,134,088
- Other current assets	2,783,350	(2,801,878)
- Trade and other payables	(3,093,808)	(3,517,422)
- Other current liabilities	(28,913)	(889,494)
Net cash from operating activities	<u>2,721,963</u>	<u>2,261,028</u>
<b>Cash flows from investing activities</b>		
Net cash from financing activities	<u>--</u>	<u>--</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(3,670,000)	(2,202,000)
Receipts of a related party loan	697,664	--
Interest received	36,336	--
Net cash used in financing activities	<u>(2,936,000)</u>	<u>(2,202,000)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(214,037)</b>	59,028
<b>Cash and cash equivalents at beginning of year</b>	<b>1,097,228</b>	1,038,200
<b>Cash and cash equivalents at end of year (note 13)</b>	<b><u>883,191</u></b>	<b><u>1,097,228</u></b>

The accompanying notes form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 1 to 4.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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### 1. LEGAL STATUS AND BUSINESS ACTIVITY

- a) **ELECTROSTEEL CASTINGS GULF FZE** (the "Establishment") is a free zone establishment with limited liability registered in the Jebel Ali Free Zone, United Arab Emirates, in accordance with Law No. 2 of 1986 and Implementing Regulation No. 1/99 (repealed by Jebel Ali Free Zone Companies Implementing Regulations 2016) issued thereunder by the Jebel Ali Free Zone Authority. The registered address is office no. LB09021, LOB 9, Jebel Ali Free Zone, Dubai, UAE. The Establishment was registered on 1 August 2012 with a trading license number 133387.
- b) The Establishment trades in basic steel products, non-ferrous metal products, bolts, nuts, screws and building metal products, pipes and fittings, reinforcement steel bars and building and construction materials.
- c) The Establishment is a wholly owned subsidiary of Electrosteel Castings Limited, ("the parent company"), a company incorporated in India, which is considered by the directors to be the ultimate parent company.

### 2. BASIS OF PREPARATION

#### a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on 1 April 2023, and the requirements of Jebel Ali Free Zone Companies Implementing Regulation 2016.

#### b) Basis of measurement

The financial statements are prepared using historical cost.

Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### c) Going concern

The financial statements are prepared on a going concern basis.

When preparing the financial statements, management makes an assessment of the Establishment's ability to continue as a going concern. Financial statements are prepared on a going concern basis unless management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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### d) **Adoption of new International Financial Reporting Standards**

*Standards, amendments, improvements and interpretations effective for the current period*

The following standards, amendments, improvements and interpretations which became effective for current period, did not have any significant impact on the Establishment's financial statements:

- IFRS 17 – Insurance Contracts
- Amendments to IFRS 17 – Insurance Contracts
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 - International Tax Reform – Pillar Two Model Rules

### ***New and revised IFRSs in issue but not yet effective and not early adopted***

The following International Financial Reporting Standard, amendments, improvements and interpretations that are assessed by management as likely to have an impact on the financial statements, have been issued by the IASB prior to the date the financial statements were authorised for issue, but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods.

- Amendments to IAS 1 – Non-current Liabilities with Covenants (1 January 2024)
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangement (1 January 2024)
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback (1 January 2024)
- Amendments to IAS 21 – Lack of Exchangeability (1 January 2025)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold to an associate or a joint venture (The IASB postponed the effective date of this amendment indefinitely - Early adoption is permitted)
- IFRS S1 General Requirements for Disclosure of Sustainability Related Financial Information and IFRS S2 Climate Related Disclosures (Effective upon adoption by applicable regulatory)

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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e) **Functional and presentation currency**

The financial statements are presented in UAE Dirhams ("AED") which is also the Establishment's functional currency.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted, and which have been consistently applied, are as follows:

a) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of furniture, fixtures and office equipment less estimated residual value, where material, is depreciated from the date the asset is available for use until it is derecognised, using the straight-line method over the estimated useful lives of four years.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the expenditure will flow to the Establishment and such cost can be measured reliably. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Establishment recognises such parts as individual assets with specific useful lives and depreciates them accordingly. The carrying amount of replaced parts is derecognised.

All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within 'other operating income/expenses' in profit or loss.

b) **Impairment of tangible assets**

At each reporting date, the management reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the acquirer estimates the recoverable amount of the cash-generating unit to which the asset belongs.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

c) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is arrived at using the Weighted Average Cost (WAC) and comprises invoice value plus applicable landing charges less discounts. Net realisable value is based on estimated selling price less any estimated cost of completion and disposal.

Goods-in-transit represents the inventory over which Establishment has legal title based on terms of purchase, but which are physically not received at the Establishment's warehouse.

d) **Staff benefits**

The Establishment provides staff end-of-service benefits to its non-UAE national employees as per the applicable local laws. The entitlement to these benefits is based on the employees' last drawn salary and length of services which is accrued over the period of employment. Provision for staff end-of-services benefits is disclosed as non-current liability.

Provision is also made for employees' entitlement to annual leave and air fare for eligible employees as per the policy of the Establishment. Provision relating to annual leave is disclosed as current liability as employees are entitled to redeem these benefits at any point of time after the reporting period.

e) **Revenue recognition**

The Establishment is in the business of trading in basic steel products, non-ferrous metal products, bolts, nuts, screws and building metal products, pipes and fittings, reinforcement steel bars and building and construction materials.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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Revenue from contracts with customers is recognised when the control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Establishment expects to be entitled in exchange for those goods or services.

The Establishment recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contracts with customers: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Establishment expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Establishment will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Establishment expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the Establishment satisfies a performance obligation at a point in time or over time.

The Establishment satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Establishment's performance as the Establishment performs; or
- The Establishment's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Establishment's performance does not create an asset with an alternative use to the Establishment and the Establishment has an enforceable right to payment for performance completed to date.

The Establishment is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue.



# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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### ***Sale of goods***

The Establishment has concluded that revenue from sale of goods should be recognised at a point in time when the control of the asset is transferred to the customer, generally on delivery of the goods.

The sales also include high sea sales, i.e. the supplier ships goods directly to the customers. Revenue is recognised when significant risks and rewards relating to the ownership of goods concerned are transferred to the customer and is based on amount invoiced to customers for high sea sales made during the year.

### ***Commission income***

Commission income represents commission earned on service provided to parent company.

#### **f) Interest income**

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### **g) Leases**

The Establishment leases its office premises. Rental contracts are typically made for fixed period of one year but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, however leased assets may not be used as security for borrowing purposes.

### ***Short-term leases***

The Establishment applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

#### **h) Cash and cash equivalents**

Cash and cash equivalents comprise balance in bank current accounts.

#### **i) Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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### j) Provisions

A provision is recognised when the Establishment has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

### k) Value added tax

As per the Federal Decree-Law No. (08) of 2017, Value Added Tax (VAT), is charged at 5% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the taxable person.

The Establishment charges and recovers Value Added Tax (VAT) on every taxable supply and deemed supply, in accordance with the applicable commercial VAT laws. Irrecoverable VAT for which the Establishment cannot avail the credit is charged to the relevant expenditure category or included in costs of non-current assets. The Establishment also files its VAT returns and computes the payable tax (which is output tax less input tax) for the allotted tax periods and deposits the same within the prescribed due dates of filing VAT return and tax payment. VAT receivable and VAT payable are offset and the net amount is reported in the statement of financial position as the Establishment has a legally enforceable right to offset the recognised amounts and has the intention to settle the same on net basis.

### l) Deferred tax

Deferred tax is recognised on temporary differences between the accounting base and the tax base for the year and quantified using the tax rates and tax laws enacted or substantively enacted as on the balance sheet date.

Deferred tax is recognised using the balance sheet approach. Deferred tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements, except when the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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Deferred tax asset is recognised to the extent it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Deferred tax liabilities are recognised for all taxable temporary differences.

Current tax and deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the recognised amount and there is an intention to settle the asset and liability on a net basis.

### m) **Current versus non-current classification**

The Establishment presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period. or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period. or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Establishment classifies all other liabilities as non-current.

### n) **Financial instruments**

#### ***Classification***

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; FVTOCI – equity investment; or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Establishment's business model for managing them.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrumental level.

The Establishment's business model for managing financial assets refers 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 cashflows, selling the financial assets, or both.

Financial liabilities are classified as financial liabilities at FVTPL or at amortised cost. The Establishment determines the classification of its financial liabilities at initial recognition.

### ***Recognition***

Financial assets and financial liabilities are recognised when, and only when, the Establishment becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Establishment commits to purchase or sell the asset.

### ***Derecognition***

Financial assets are de-recognised when, and only when,

- The contractual rights to receive cash flows expire or
- The Establishment has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Establishment has transferred substantially all the risks and rewards of the asset, or
  - (b) the Establishment has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities are de-recognised when, and only when, they are extinguished i.e. when obligation specified in the contract is discharged, cancelled or expired.

### ***Measurement***

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The following accounting policies apply to the subsequent measurement of financial assets and liabilities.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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### *Financial assets at amortised cost*

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss, if any using the effective interest method. All other financial assets are subsequently measured at fair value.

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The financial assets at amortised cost comprise of trade and receivables, short-term loan to a related party, non-current financial assets and cash and cash equivalents.

### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost comprise of trade and other payables.

### *Impairment of financial assets*

The Establishment recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Establishment expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Loss allowances are measured on either of the following basis:

- 12-month ECLs: ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

The Establishment measures the loss allowance at an amount equal to lifetime ECLs, except for the following which are measured as 12-month ECLs:

- Bank balances, short-term loan to a related party, non-current financial assets and other receivables for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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The Establishment has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs. The Establishment applies a simplified approach in calculating expected credit losses. The Establishment does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Establishment has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Establishment considers reasonable and supportive information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Establishment's historical experience and informed credit assessment and including forward looking information.

The Establishment assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Establishment considers a financial asset to be in default when:

- The customer is unlikely to pay its credit obligations to the Establishment in full, without recourse by the Establishment to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Establishment is exposed to credit risk.

At each reporting date, the Establishment assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

### ***Offsetting***

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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### **Equity**

Share capital is recorded at the value of proceeds received towards interest in share capital of the Establishment.

### **o) Fair value measurement**

The Establishment discloses the fair value of financial instruments measured at amortised cost.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interests.

## **4. SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES**

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

### **Classification of financial assets**

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.

### **Impairment**

At each reporting date, management conducts an assessment of property, plant and equipment to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made.

The Establishment applies expected credit loss (ECL) model to measure loss allowance in case of financial assets on the basis of 12-month ECLs or Lifetime ECLs depending on credit risk characteristics and how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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### **Recognition of revenue and allocation of transaction price**

#### *Identification of performance obligations*

The Establishment determined that the sale of goods is provided as a single component to customers and accordingly it becomes single performance obligation in respect of the goods being sold.

#### *Determine timing of satisfaction of performance obligation*

The Establishment concluded that the revenue from sales of goods is to be recognised at a point in time when the control of the goods has transferred to the customers. Payment of the transaction price is due immediately at the point the customer purchases the goods.

## 5. **KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

### **Carrying values of property, plant and equipment**

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

### **Impairment**

Assessments of net recoverable amounts of property, plant and equipment are based on assumptions regarding future cash flows expected to be received from the related assets.

### **Impairment of financial assets**

The loss allowance for financial assets are based on assumptions about the risk of default and expected loss rates. The management uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3(n).

### **Deferred tax**

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible. The Establishment considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.



# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

### Inventory provisions

Management regularly undertakes a review of the Establishment's inventory including goods in transit, stated at AED 254,632 (previous year AED 3,467,929) in order to assess the likely realisation proceeds, taking into account purchase and replacement prices, technological changes, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

### Staff end-of-service benefits

The Establishment computes the provision for the liability to staff end-of-service benefits stated at AED 154,385 (previous year AED 137,130), assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

## 6. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment AED	
<b>Cost</b>		
At 1 April 2022, at 31 March 2023 and at 31 March 2024	<b>17,247</b>	
<b>Accumulated depreciation</b>		
At 1 April 2022	13,520	
Depreciation	1,996	
At 31 March 2023	15,516	
Depreciation	1,731	
At 31 March 2024	<b>17,247</b>	
<b>Carrying amount</b>		
At 1 April 2022	3,727	
At 31 March 2023	1,731	
At 31 March 2024	--	
	<b>2024</b>	2023
	<b>AED</b>	AED
<b>7. NON-CURRENT FINANCIAL ASSETS</b>		
Long-term loan	<b>104,340</b>	104,340

This represents interest free long-term loan to a third party without any fixed repayment schedule. It is not the intention of the management to demand repayment of the loan within one year from the reporting date.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

	2024 AED	2023 AED
<b>8. INVENTORIES</b>		
Goods held for sale	6,464	233,738
Goods-in-transit	248,168	3,234,191
	<u>254,632</u>	<u>3,467,929</u>
<b>9. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	2,537,662	1,847,865
Staff advances	--	4,067
Deposits	47,081	40,405
Other receivables	354,855	824,910
	<u>2,939,598</u>	<u>2,717,247</u>

An age analysis of trade receivables as at the reporting date is as follows:

Trade receivables not past due	2,537,662	1,845,693
Trade receivables past due and not impaired		
- 0 to 30 days	--	2,172
	<u>2,537,662</u>	<u>1,847,865</u>

The Establishment holds letters of credit amounting to AED 2,537,662 (previous year AED 1,811,697) as security against trade receivables.

<b>10. OTHER CURRENT ASSETS</b>		
Prepayments	158,196	158,196
Advance for goods	--	2,806,771
VAT receivable (net)	30,376	6,955
	<u>188,572</u>	<u>2,971,922</u>

### 11. RELATED PARTIES

The Establishment enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business at agreed terms.

Related parties comprise the ultimate parent company, parent company, fellow subsidiaries, companies under common ownership and/or common management and key managerial personnel.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

At the reporting date significant balances with related parties were as follows:

	Ultimate parent company AED	Fellow subsidiaries AED	Total 2024 AED	Total 2023 AED
Included in trade and other receivables	354,855	--	354,855	
	824,910	--		824,910
Advance for goods	--	--	--	
	2,806,771	--		2,806,771
Included in trade and other payables	360,966		360,966	
	3,234,191	156,849		3,391,040
Short-term loan to a related party	--	1,871,336	1,871,336	
	--	2,569,000		2,569,000

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in notes 12 and 25.

Significant transactions with related parties during the year were as follows:

	Ultimate parent company AED	Fellow subsidiaries AED	Total 2024 AED	Total 2023 AED
Purchases	7,600,445	56,360	7,656,805	
	5,329,187	282,131		5,611,318
Commission income	871,724	--	871,724	
	2,329,189	--		2,329,189
Interest received from short term loan given to a related party	--	36,336	36,336	
	--	--		--
Dividends paid	3,670,000	--	3,670,000	
	2,202,000	--		2,202,000

The Establishment gives funds to related parties as working capital facilities at agreed rate of interest.

	2024 AED	2023 AED
12. <b>SHORT-TERM LOAN TO A RELATED PARTY</b>		
Loan to a related party <sup>(a)</sup>	<u>1,871,336</u>	<u>2,569,000</u>

- (a) The loan to a related party was at interest rate of 3.5% p.a. in current year and interest free in previous year.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

The details of movements in the short-term loan to related party is as follows:

	2024 AED	2023 AED
Opening balance	2,569,000	2,569,000
Amount received as repayment (net)	(697,664)	--
Closing balance	<u>1,871,336</u>	<u>2,569,000</u>
<b>13. CASH AND CASH EQUIVALENTS</b>		
Bank balances in current accounts	<u>883,191</u>	<u>1,097,228</u>
<b>14. SHARE CAPITAL</b>		
<b>Issued and paid up:</b>		
1 share of AED 1,000,000 held by Electrosteel Castings Limited, a company registered in India.	<u>1,000,000</u>	<u>1,000,000</u>
<b>15. PROVISION FOR STAFF END-OF-SERVICE BENEFITS</b>		
Opening balance	137,130	120,260
Provision for the year	17,255	16,870
Closing balance	<u>154,385</u>	<u>137,130</u>
<b>16. TRADE AND OTHER PAYABLES</b>		
Trade payables	772,971	3,883,343
Accruals	110,424	93,860
	<u>883,395</u>	<u>3,977,203</u>

The entire trade and other payables are due for payment within one year from the reporting date.

<b>17. OTHER CURRENT LIABILITIES</b>		
Advance for goods and services	356,728	442,291
Employee related accruals	100,550	43,900
	<u>457,278</u>	<u>486,191</u>

### 18. MANAGEMENT OF CAPITAL

The Establishment's objectives when managing capital are to ensure that the Establishment continues as a going concern and to provide the shareholder with a rate of return on their investment commensurate with the level of risk assumed.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

Capital, which is unchanged from the previous year, comprises equity funds as presented in the statement of financial position. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

The Establishment is not subject to externally imposed capital requirements.

Funds generated from internal accruals net of dividend paid are retained in the business according to the business requirements and maintain capital at desired levels.

### 19. DIVIDENDS

Dividends declared and paid during the year of AED 3,670,000 (previous year AED 2,202,000) represent a dividend per share of AED 3,670,000 (previous year AED 2,202,000).

### 20. REVENUE

The Establishment generates revenue from the transfer of goods at a point in time. The disaggregated revenue from contracts with customers is presented below. The management believes that this best depicts the nature, amount, timing and uncertainty of the Establishment's revenue and cash flows.

	2024 AED	2023 AED
<b>Primary geographical segments</b>		
- UAE	10,183,589	7,031,603
- Other Middle East countries	174,481	493,361
	<u>10,358,070</u>	<u>7,524,964</u>
<b>Major goods lines</b>		
<i>Trading</i>		
- Goods	10,358,070	7,524,964
<b>Timing of revenue recognition</b>		
- At a point in time	10,358,070	7,524,964
<b>21. OTHER OPERATING INCOME</b>		
Commission income	871,724	2,329,189
Miscellaneous income	152,635	263,325
	<u>1,024,359</u>	<u>2,592,514</u>
<b>22. STAFF COSTS</b>		
Staff salaries and benefits	1,129,396	1,286,690
Staff end-of-service benefits	17,255	16,870
	<u>1,146,651</u>	<u>1,303,560</u>

## ELECTROSTEEL CASTINGS GULF FZE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

	2024 AED	2023 AED
<b>23. OTHER OPERATING EXPENSES</b>		
Carriage outward	715,584	568,049
Professional and consultancy charges	261,079	916,815
Business travel expenses	111,329	81,066
Expenses relating to short-term leases	62,723	67,959
Commission expenses	41,369	238,972
Other expenses	784,503	434,459
	<u>1,976,587</u>	<u>2,307,320</u>
<b>24. INTEREST INCOME</b>		
On amount due from related parties	<u>36,336</u>	--

### 25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Financial instruments

#### *Classification and fair values*

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows:

	At amortised cost	
	2024 AED	2023 AED
<b>Financial assets</b>		
Non-current financial assets	104,340	104,340
Trade and other receivables	2,939,598	2,717,247
Cash and cash equivalents	883,191	1,097,228
Short-term loan to a related party	1,871,336	2,569,000
	<u>5,798,465</u>	<u>6,487,815</u>
<b>Financial liabilities</b>		
Trade and other payables	<u>883,395</u>	3,977,203

#### *Fair value measurement and disclosures*

The management assesses the fair values of all its financial assets and financial liabilities at each reporting date.

The fair values of cash and cash equivalents, trade and other receivables, short-term loan to a related party and trade and other payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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The following methods and assumptions were used to determine the fair values of other financial assets:

The fair value of non-current financial asset is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities. As at the reporting date, the carrying amounts of such non-current financial assets which due to its terms has fair value lower than their carrying value.

### **Financial risk management**

#### ***Risk management objectives***

Risk is inherent in the Establishment's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Establishment's continuing profitability. The Establishment's risk management focusses on actively securing short to medium term cash flows by minimizing the exposure to financial markets.

The Establishment does not actively engage in trading of financial assets for speculative purpose.

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks and fair value interest rate risks).

The management of the Establishment reviews and agrees policies for managing each of these risks which are summarised below:

#### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the Establishment's credit risk management, where it is considered necessary, such receivables are covered by letters of credit or bank guarantees in favour of the Establishment, issued by high credit quality financial institutions.

Financial assets that potentially expose the Establishment to concentrations of credit risk comprise principally non-current financial asset, trade and other receivables, cash and cash equivalents and short-term loan to a related party.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

The Establishment's bank accounts are placed with high credit quality financial institutions.

The management assesses the credit risk arising from trade and other receivables, non-current financial asset and short-term loan to a related party taking into account their financial position, past experience and other factors. Based on the assessment individual risk limits are determined.

At the reporting date, the Establishment's maximum exposure to credit risk from such receivables situated outside the UAE is as follows:

	2024 AED	2023 AED
<b>Middle East countries</b>		
Non-current financial assets	104,340	104,340
Trade receivables	--	185,327
Short term loan to a related party	<u>1,871,336</u>	<u>--</u>
<b>Asian countries</b>		
Other receivables	<u>354,855</u>	<u>824,910</u>
<b>United Kingdom</b>		
Short term loan to a related party	<u>--</u>	<u>2,569,000</u>

At the reporting date, 86% of trade receivables were due from two customers (previous year 94% from four customers).

At the reporting date, 100% of short-term loan is due from one related party (previous year 100% of short-term loan was due from one related party).

At the reporting date, there is no significant concentration of credit risk from any particular industry as the Establishment's customers are from diverse industries.

The Establishment uses an allowance matrix to measure the expected credit losses of trade receivables, which comprise a number of balances. Loss rates are calculated using a 'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Flow rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.



# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

Based on the assessment, the management believes that no impairment provision is required under IFRS 9.

### **Liquidity risk**

Liquidity risk is the risk that the Establishment may encounter difficulty in meeting financial obligations due to shortage of funds. The Establishment's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities.

The Establishment's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Establishment's reputation. The Establishment manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturities of the Establishment's undiscounted financial liabilities at the reporting date, based on contractual payment dates and current market interest rates.

	Less than one year	
	2024	2023
	AED	AED
Trade and other payables	883,395	3,977,203

### **Market risk**

Market risk is the risk that the changes in market prices, such as foreign currency exchange rates, interest rates and prices, will affect the Establishment's income or the value of its holdings of financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns.

### **Currency risk**

Currency risk is the risk that the values of financial instruments will fluctuate because of changes in foreign exchange rates.

There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed.

### **Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates.

The Establishment's amounts due from a related party is subject to fixed interest rates at levels generally obtained in the UAE and are therefore exposed to fair value interest rate risk.

# ELECTROSTEEL CASTINGS GULF FZE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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### 26. CORPORATE TAX

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the 'CT Law') to enact a Federal Corporate Tax ('CT') regime in the UAE. The CT Law is effective for the financial years beginning on or after 1 June 2023. Decision No. 116 of 2022 specifies the threshold of income (as AED 375,000) over which a corporate tax of 9% would apply and accordingly, the CT Law is now considered to be substantively enacted.

For the Establishment, current taxes shall be accounted for as appropriate in the financial statements for the accounting period beginning on 1 April 2024. In accordance with IAS 12 Income Taxes, the related deferred tax accounting impact has been considered for the financial year ended 31 March 2024.

Based on the information available to date, the Establishment has assessed the deferred tax implications for the year ended 31 March 2024 and, after considering its interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules), it has been concluded that deferred tax implications are not expected to be material.

The Establishment shall continue to monitor critical Cabinet Decisions to determine the impact on the Establishment, from deferred tax perspective.

For ELECTROSTEEL CASTINGS GULF FZE

  
SHIVENDRA AGARWAL  
MANAGER

