BLUE STAR INTERNATIONAL FZCO

Financial Statement for the year ended March 31, 2024

Blue Star International FZCO
Dubai Airport Free Zone
Dubai - United Arab Emirates

Report and separate financial statements
for the year ended 31 March 2024

Blue Star International FZCO
Dubai - United Arab Emirates

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INDEPENDENT AUDITOR'S REPORT

The Shareholder
Blue Star International FZCO
Dubai Airport Free Zone
Dubai
United Arab Emirates

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of **Blue Star International FZCO** (the "Company") which comprise the separate statement of financial position as at 31 March 2024, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 March 2024, and its separate financial performance and its separate 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 Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's separate financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS Accounting Standards and the provision of the articles of association of the Company and provisions of Law No. (16) of 2021 Establishing the Dubai Integrated Economic Zones Authority, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements (continued)

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 separate financial statements.

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 separate 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the separate 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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of Blue Star International FZCO (continued)

Report on Other Legal and Regulatory Requirements

We further report that the financial statements have been prepared, in all material respects, in accordance with the provisions of Law No. (16) of 2021 Establishing the Dubai Integrated Economic Zones Authority.

Deloitte & Touche (M.E.)

Mohammad Jallad
Registration No. 1164
11 July 2024
Dubai
United Arab Emirates

Separate statement of financial position
As at 31 March 2024

	Notes	2024 AED'000	2023 AED'000
ASSETS			
Non-current assets			
Property and equipment	6	**92**	120
Right-of-use assets	8	**589**	900
Intangible assets	7	**1**	1
Investment in subsidiary		**10,469**	10,469
Other non-current assets	9	**12**	70
Total non-current assets		**11,163**	11,560
Current assets			
Trade and other receivables	10	**62,672**	51,490
Cash and cash equivalents	11	**2,392**	1,659
Total current assets		**65,064**	53,149
Total assets		**76,227**	64,709
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**5,350**	5,350
Retained earnings		**24,907**	18,442
Total equity		**30,257**	23,792
Non-current liabilities			
Provisions	14	**662**	358
Lease liabilities	8	**297**	700
Total non-current liabilities		**959**	1,058
Current liabilities			
Trade and other payables	15	**42,547**	37,263
Bank borrowings	13	**-**	850
Provisions	14	**2,013**	1,378
Lease liabilities		**451**	368
Total current liabilities		**45,011**	39,859
Total equity and liabilities		**76,227**	64,709

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Director
Mohamed Abbas Mohamed Miraj

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

Separate statement of profit or loss and other comprehensive income for the year ended 31 March 2024

	Notes	2024 AED'000	2023 AED'000
Sales		**156,089**	153,245
Cost of sales		**(135,972)**	(135,829)
Gross profit		**20,117**	17,416
Employee benefits expense	17	**(8,721)**	(7,787)
Depreciation and amortization expense	6, 7 & 8	**(337)**	(385)
Finance income	19	**862**	487
Finance costs	19	**(333)**	(336)
Other expenses	18	**(6,218)**	(3,964)
Other income	20	**1,095**	349
Profit for the year		**6,465**	5,780

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

Separate statement of changes in equity
for the year ended 31 March 2024

	Share capital AED'000	Retained earnings AED'000	Total AED'000
As at 31 March 2022 (unaudited)	5,350	12,662	18,012
Profit for the year	-	5,780	5,780
As at 31 March 2023	5,350	18,442	23,792
Profit for the year	-	6,465	6,465
As at 31 March 2024	**5,350**	**24,907**	**30,257**

Separate statement of cash flows
for the year ended 31 March 2024

	Notes	2024 AED'000	2023 AED'000
Cash flows from operating activities			
Profit for the year		**6,465**	5,780
Adjustments for:			
Depreciation and amortisation	6, 7 & 8	**336**	385
Provision for employees' end of service indemnity	14 (a)	**310**	211
Finance income	19	**(862)**	(487)
Finance cost	19	**333**	336
Operating cash flows from operating activities before movement in working capital		**6,582**	6,225
Increase in trade and other receivables		**(11,182)**	(5,291)
Decrease in other current and non-current assets		**58**	49
Increase in trade and other payables		**5,284**	2,399
Increase/(decrease) in provisions		**635**	(65)
Cash generated from operations		**1,377**	3,317
Employees' end of service indemnity paid	14 (a)	**(6)**	(401)
Net cash generated from operating activities		**1,371**	2,916
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(12)**	(23)
Proceeds from disposal of property, plant and equipment	6	**19**	4
Net cash generated from/ (used in) investing activities		**7**	(19)
Cash flows from financing activities			
Repayments of bank borrowings		**(850)**	(1,214)
Payment of lease liabilities	8	**(320)**	(262)
Finance income received	19	**862**	487
Finance cost paid	19	**(337)**	(336)
Net cash used in financing activities		**(645)**	(1,325)
Net increase in cash and cash equivalents		**733**	1,572
Cash and cash equivalents at the beginning of the year		**1,659**	87
Cash and cash equivalents at the end of the year	11	**2,392**	1,659

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

1. Company and operations

Blue Star International FZCO (the "Company") was formed as a Free Zone Company with limited liability pursuant to law No. 25 of 2009 and Implementing Regulations issued there under by Dubai Airport Free Zone Authority (DAFZA), Dubai, United Arab Emirates (UAE) and its subsidiaries (herein after referred to as the "Company"). The registered office of the Company is at P.O. Box 293719, Dubai, UAE. The Company is wholly owned by Blue Star Limited (the Parent Company), an entity incorporated in India.

The Company has incorporated subsidiary Blue Star Systems and Solutions LLC on 15 August 2018 in which it has 100% legal and beneficial interest. The registered office of subsidiary is at Showroom No 5, Al Garhoud Airport, PO Box No 239869, Dubai, UAE, having principal activities of trading of air-conditioners and spare parts of air conditioners, refrigerators and electronic appliances, maintenance of air-conditioning, ventilations and air filtration systems.

The Company has incorporated another subsidiary BSL AC&R (Singapore) Pte. Ltd. on 29 August 2020 in which it has 100% legal and beneficial interest. The Company is a private limited liability company domiciled and incorporated in the Republic of Singapore. Its registered office is located at 101 Thomson Road, #14-02/03 United Square, Singapore 307591. The principal activity of the Company is that of provision and supply of air-conditioning, ventilation, air filtration system services.

The Company has incorporated another subsidiary Blue Star Airconditioning & Refrigeration (U) Ltd. on 27 June 2023 in which it has 99% legal and 100% beneficial interest. The Company is a private limited liability company domiciled and incorporated in the Republic of Uganda. The principal activity of the Company is to carry out the business of manufacturing, sale and distribution of all kinds of air-conditioning and commercial refrigeration products and systems. This subsidiary has not commenced commercial operations as of reporting date.

These separate financial statements comprise of the financial information of the Company only. A separate set of financial statements comprising the consolidated financial statements of the Company and its subsidiaries (together referred as "the Group") is also issued.

The principal activities of the Company are trading of air-conditioners and spare parts of air conditioners, refrigerators and electronic appliances, maintenance of air-conditioning, ventilations and air filtration systems.

2. New and amended IFRSs that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2023.

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these separate financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these separate financial statements.

2. New and amended IFRSs that are effective for the current year (continued)

New and revised IFRS	***Summary***
IFRS 17 Insurance Contracts	IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.
Amendments to IFRS 17 Insurance Contracts	Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are: • Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. • Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk. • Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination. • Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level. • Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements. • Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives. • Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held. • Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts. • Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

2. New and amended IFRSs that are effective for the current year (continued)

New and revised IFRS	***Summary***
Amendment to IFRS 17 Insurance Contracts Initial Application of IFRS 17 and IFRS 9 - Comparative Information	The amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.
Amendments to IFRS 4 Insurance Contracts Extension of the Temporary Exemption from Applying IFRS 9	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
Amendments to IAS 12 Income Taxes relating to Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
Amendments to IAS 12 Income Taxes relating to International Tax Reform - Pillar Two Model Rules	The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2023.

3. New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorization of these separate financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	***Effective for annual periods beginning on or after***
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.	
IFRS S2 Climate-related Disclosures	1 January 2024
IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.	
Amendments to IAS 1 Presentation of Financial Statements relating to Classification of Liabilities as Current or Non-Current	1 January 2024
The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	
The amendments also defer the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2024.	
Amendments to IFRS 16 Leases relating to Lease Liability in a Sale and Leaseback	1 January 2024
The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	
Amendments to IAS 1 Presentation of Financial Statements relating to Non-current Liabilities with Covenants	1 January 2024
The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures relating to Supplier Finance Arrangements	1 January 2024
The amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.	

3. New and revised IFRS in issue but not yet effective and not early adopted (continued)

At the date of authorization of these separate financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective: (continued)

New and revised IFRSs	***Effective for annual periods beginning on or after***
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Lack of Exchangeability	1 January 2025
The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	
Amendments to the SASB (Sustainability Accounting Standards Board) standards to enhance their international applicability	1 January 2025
The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics	
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)	Effective date deferred indefinitely. Adoption is still permitted.
The amendments relate to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's separate financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the separate financial statements of the Company in the year of initial application.

4. Summary of material accounting policies

The significant accounting policies used in the preparation of these separate financial statements are set out below:

Basis of preparation

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and the applicable provisions of Implementing Regulations of Law No. (16) of 2021 Establishing the Dubai Integrated Economic Zones Authority and DAFZA and the UAE Laws. The separate financial statements have been prepared on a historical cost basis. The functional currency of the Company is United States Dollars ("USD"). Management uses United Arab Emirates Dirhams ("AED") for controlling and monitoring the performance and financial position of the Company and accordingly the separate financial statements are presented in AED and all values are rounded to the nearest thousands (AED'000), except when otherwise indicated. As AED is currently pegged to USD, there are no exchange differences on translation from functional currency to presentation currency.

4. Summary of material accounting policies (continued)

Investment in subsidiary

A subsidiary is an entity over which the Company has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Investment in subsidiary is accounted for by using the cost method of accounting in the separate financial statements. Under the cost method, income from the subsidiary is recognised only to the extent that the Company receives dividend distributions from accumulated profits of the subsidiary.

Revenue recognition

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

- Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
- Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.
- Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognize revenue as and when the Company satisfies a performance obligation.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers (other than rental revenue), including significant payment terms, and the related revenue recognition policies with respect to ancillary revenue:

Revenue	***Nature and timing of satisfaction of performance obligations, including significant payment terms***	***Revenue recognition under IFRS 15***
Sale of goods	Risk and rewards transfer to the customer upon transfer of goods to the customer. Invoices are generated on delivery of the equipment and revenue is recognised at that point in time. Invoices are usually payable within 90 days.	Revenue is recognised when the control of the goods has been transferred to the customer, being at the point of the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.

When the Company satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset/trade receivables based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability/advance from customers. The Company's obligation of refund liability upon termination of contract with customers are governed by the contract and the regulations prevailing in the respective jurisdictions.

4. Summary of material accounting policies (continued)

Property and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Costs comprise of all costs incurred to bring the assets to their location and working condition up to the date the assets are put to their intended use. When significant components of plant and equipment are replaced separately, the Company depreciates them based on the useful lives of the components.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery	3 years
Leasehold improvements	3 years or life based on lease period, whichever is lower
Furniture and fixtures	3 years
Office equipment	3 years

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Vehicles	5 years
Computers	3 years

Any gain or loss arising on derecognition/disposal of an asset is included in profit or loss.

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

Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives of intangible assets are as mentioned below:

Software	3 years

Impairment of non - financial assets

Property and equipment and intangible assets with finite lives are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined for the individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount and an impairment loss is recognised in profit or loss

4. Summary of material accounting policies (continued)

Employee benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Provision for employees' end-of-service indemnity is made in accordance with the U.A.E. Labor Law and is based on current remuneration and cumulative years of service at the reporting date.

Financial instruments

Financial assets and liabilities are recognized in the Company's separate statement of financial position when the Company's becomes a party to the contractual provisions of the instruments.

Financial assets

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

All other financial assets are subsequently measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and balances with banks in current accounts.

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. These are recognised initially at cost plus directly attributable transaction costs, if any, and subsequently measured at amortised cost using effective interest rate method less provision for impairment (also referred to as 'loss allowance'), if any.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in trade and other receivables as well as on financial guarantee contracts, if any. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime 'Expected Credit Loss' (ECL) for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorised under stage 2 and lifetime ECL is recognised.

Objective evidence that debt instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Company assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets.

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

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

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other income'/'other expenses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

When the fair values of financial assets or financial liabilities recorded or disclosed in the separate financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include consideration of inputs such as liquidity risk, credit risk and volatility.

4. Summary of material accounting policies (continued)

Financial instruments (continued)

Derecognition of financial liabilities (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Current versus non-current classification

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

<u>An asset is current when it is:</u>
- 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 date of the separate statement of financial position.

All other assets are classified as non-current.

<u>A liability is current when:</u>
- 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 date of the separate statement of financial position.

The Company classifies all other liabilities as non-current.

Cash dividends

The Company recognises a liability to pay dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate law of UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

4. Summary of material accounting policies (continued)

Provisions

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranty provisions

The estimated liability for product warranties is recorded when products are sold. These estimates are established using management estimates regarding possible future incidence based on corrective actions on product failures. The timing of outflows will vary as and when warranty claims arise.

Lease

The Company as lessee

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the separate statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

4. Summary of material accounting policies (continued)

Lease (continued)

The Company as lessee (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
  the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the separate statement of financial position.

The Company applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the ‘Property and equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line ‘Other expenses’ in the separate statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Establishment has not used this practical expedient.

Foreign currencies

Income and expenses in foreign currencies are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing on the reporting date and exchange gains and losses arising on settlement and restatement are recognised in profit or loss. Foreign currency denominated non-monetary assets and liabilities that are measured at historical cost are not retranslated.

5. Critical accounting judgments and key sources of estimation uncertainties

The preparation of the Company's separate financial statements in conformity with the International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in Note 4 to the separate financial statements, management made the following judgement that have significant effect on the amounts recognised in the separate financial statements.

Revenue recognition

Management has considered the detailed criteria for the recognition of revenue of the performance obligations at a point of time at which a customer obtained control of a promised goods or services as set out in IFRS 15 *Revenue from Contracts with Customers*. Based on the acceptance by the customer of the liability for the goods sold, management is satisfied that the customer obtains control of a promised goods or services.

Key sources of estimation uncertainties

The key assumptions 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 described below. The Company based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Expected credit loss calculation

The Company applies the Expected credit loss model (ECL) in accordance with IFRS 9. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Useful lives of property, plant and equipment

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

5. Critical accounting judgments and key sources of estimation uncertainties (continued)

Key sources of estimation uncertainties (continued)

Warranties

The Company generally offers warranties for its manufactured products. The Company provides warranties to customers on the performance of their products for a period of 1 to 5 years. The warranty provision was calculated based on the prior years' experience of actual costs incurred, recent trends and current best estimates of the expenditure required to settle the Company's obligation.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Notes to the financial statements
for the year ended 31 March 2024 (continued)

6. Property and equipment

	Leasehold improvements AED'000	Equipment AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Vehicles AED'000	Computers AED'000	Total AED'000
Cost							
At 1 April 2022 (unaudited)	176	42	194	150	291	125	978
Additions for the year	-	-	-	-	-	23	23
Disposals	-	(6)	-	(4)	-	-	(10)
At 31 March 2023	176	36	194	146	291	148	991
Additions for the year	-	-	-	-	-	12	12
Disposals	-	-	-	-	(291)	-	(291)
At 31 March 2024	**176**	**36**	**194**	**146**	**-**	**160**	**712**
Accumulated depreciation							
At 1 April 2022 (unaudited)	168	33	147	134	231	87	800
Charge for the year	-	4	3	4	41	21	73
Disposals	-	(4)	-	(2)	-	-	(6)
At 31 March 2023	168	33	150	136	272	108	867
Charge for the year	-	-	3	2	-	20	25
Disposals	-	-	-	-	(272)	-	(272)
At 31 March 2024	**168**	**33**	**153**	**138**	**-**	**128**	**620**
Carrying amount							
At 31 March 2024	**8**	**3**	**41**	**8**	**-**	**32**	**92**
At 31 March 2023	8	3	44	10	18	37	120

Notes to the financial statements
for the year ended 31 March 2024 (continued)

7. Intangible assets

	Software AED'000
Cost	
At 1 April 2022 (unaudited)	5
Additions for the year	-
At 31 March 2023	5
Additions for the year	
At 31 March 2024	**5**
Amortisation and impairment	
At 1 April 2022 (unaudited)	3
Charge for the year	1
At 31 March 2023	4
Charge for the year	-
At 31 March 2024	**4**
Carrying amount	
At 31 March 2024	**1**
At 31 March 2023	1

8. Right-of-use assets and lease liabilities

Right-of-use assets

	Leasehold buildings AED'000
Cost	
At 1 April 2022 (unaudited)	1,920
Additions during the year	-
At 31 March 2023	1,920
Additions during the year	-
At 31 March 2024	**1920**
Accumulated depreciation	
At 1 April 2022 (unaudited)	709
Provided during the year	311
At 31 March 2023	1,020
Provided during the year	311
At 31 March 2024	**1,331**
Carrying amount	
At 31 March 2024	**589**
At 31 March 2023	900

Lease liabilities

	2024 AED'000	2023 AED'000
As at 1 April	**1,068**	1,330
Interest expense	**48**	60
Payments	**(368)**	(322)
Total lease liabilities at 31 March	**748**	1,068

8. Right-of-use assets and lease liabilities (continued)

Lease liabilities (continued)

Maturity analysis of lease liabilities as follows:

	2024 **AED'000**	2023 AED'000
Within one year - (shown under current liabilities)	**451**	368
Within 1 year to 5 years - (shown under non-current liabilities)	**297**	700
Total lease liabilities	**748**	1,068

9. Other non-current assets

	2024 **AED'000**	2023 AED'000
Prepayments	**12**	70

10. Trade and other receivables

	2024 **AED'000**	2023 AED'000
Trade receivables	**48,280**	38,369
Prepayments	**643**	646
Advances to suppliers	**348**	61
Loans to employees	**32**	-
Balance with statutory authorities	**45**	327
Receivable from related parties [Note 16]	**13,324**	12,087
Total trade and other receivables	**62,672**	51,490

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

The Company measured the expected credit losses at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Based on ECL assessment and credit quality of the trade receivables, management has assessed ECL to be Nil (2023: AED Nil).

Notes to the financial statements
for the year ended 31 March 2024 (continued)

11. Cash and cash equivalents

	2024 **AED'000**	2023 AED'000
Balances with banks	**2,392**	1,659

Balances with banks are assessed to have low credit risk of default since these banks are regulated by the central bank of U.A.E. Accordingly, the management of the Company estimates the loss allowance on balances with bank at the end of the reporting period at an amount equal to 12-month ECL. None of the balance with bank at the end of the reporting period are past due and taking into account the historical default experience and the current credit ratings of the bank, the management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

12. Share capital

	No.	AED'000
Equity Shares of AED 1,000 each issued, subscribed & fully paid up		
Authorised, issued and fully paid up 5,350 shares of AED 1,000 each	5,350	5,350
At 31 March 2024 and at 31 March 2023	**5,350**	**5,350**

13. Bank borrowings

	2024 **AED'000**	2023 AED'000
Term loan and overdraft from bank	**-**	850
Less: non-current portion	**-**	-
Current portion	**-**	850

During past years, term loan was obtained from a commercial bank in United Arab Emirates. It carried interest @ 3 months LIBOR plus 1.60% p.a. and is repayable in sixteen equated quarterly installments commencing from 22 February 2019. The loan is secured against irrevocable corporate guarantee issued by the Parent Company (Note 24). The term loan has been repaid in full during current year.

Overdraft facility represents unsecured borrowings obtained from commercial bank in United Arab Emirates, which carries interest at Term SOFR plus 2.10% p.a. and there is an unutilized credit facility of AED 8,716,250 (equivalent USD 2,375,000) as at 31 March 2024.

13. Bank borrowings (continued)

Reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities for the year ended 31 March 2024:

Particulars	**As at 1 April 2023**	**Interest accrued**	**Cash flows**	**Non-cash changes**	**As at 31 March 2024**
Short term borrowings (bank borrowings)	**850**	**-**	**(850)**	**-**	**-**
Lease liabilities	**1,068**	**48**	**(368)**	**-**	**748**

Particulars	As at 1 April 2022 (Unaudited)	Interest accrued (Unaudited)	Cash flows (Unaudited)	Non-cash changes (Unaudited)	As at 31 March 2023 (Unaudited)
Short term borrowings (bank borrowings)	2,064	-	(1,214)	-	850
Lease liabilities	1,330	60	(322)	-	1,068

14. Provisions

	2024 AED'000	2023 AED'000
Provision for employees' end of service indemnity [Note 14 (a)]	**662**	357
Provision for leave benefits [Note 14(b)]	**708**	666
Provision for warranties [Note 14(c)]	**1,305**	713
	2,675	1,736
Less: non-current portion	**662**	358
	2,013	1,378

a) Provision for employees' end of service indemnity

	2024 AED'000	2023 AED'000
At the beginning of the year	**358**	548
Charge for the year	**310**	211
Paid during the year	**(6)**	(401)
At the end of the year	**662**	358

Notes to the financial statements
for the year ended 31 March 2024 (continued)

14. Provisions (continued)

b) Provision for leave benefits

	2024	2023
	AED'000	AED'000
At the beginning of the year	**665**	954
Charge for the year	**145**	113
Paid during the year	**(102)**	(401)
At the end of the year	**708**	666

c) Provision for warranties

Provision for warranty costs in respect of products sold which are still under warranty is based on the best estimate of the expenditure that will be required to settle the present obligation at the end of the reporting period.

	2024	2023
	AED'000	AED'000
At the beginning of the year	**713**	490
Charge for the year	**592**	238
Paid during the year	**-**	(15)
At the end of the year	**1,305**	713

15. Trade and other payables

	2024	2023
	AED'000	AED'000
Trade payables	**13,523**	10,426
Advances from customers	**2,466**	381
Provision for incentives	**1,445**	1,619
Accrued expenses	**6,390**	4,694
Payable to related parties [Note 16]	**18,723**	20,143
Total trade and other payables	**42,547**	37,263

Notes to the financial statements
for the year ended 31 March 2024 (continued)

16. Related party balances and transactions

Related parties represent the shareholder, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the statement of comprehensive income are as follows:

	2024	2023
	AED'000	AED'000
Blue Star Limited (Parent Company)		
Purchase of goods	**91,719**	1,02,374
Guarantee commission	**3**	1
Blue Star Qatar WLL (Fellow Subsidiary)		
Reimbursement of expenses	**282**	262
Blue Star M & E Engineering (Sdn) Bhd (Joint Venture of subsidiary)		
Sale of services	**33**	351
Blue Star Systems and Solutions LLC (Subsidiary)		
Interest income on short term financing	**39**	35

Compensation of key management personnel

The remuneration of Director during the year ended 31 March 2024 and 31 March 2023 were as follows:

	2024	2023
	AED'000	AED'000
Short term benefits	**1,577**	1,611
Employees end of service benefits	**133**	221
	1,710	1,832

Balances with related parties included in the separate statement of financial position are as follows:

	2024	2023
	AED'000	AED'000
Due to related parties – trade payables		
Shareholder and Parent Company - Blue Star Limited	**18,697**	20,072
Blue Star Qatar WLL (Fellow Subsidiary)	**26**	71
	18,723	20,143
Due from a related party – trade receivables		
Blue Star Airconditioning & Refrigeration (U) Ltd.	**551**	-
Blue Star M & E Engineering (Sdn) Bhd (Joint Venture of subsidiary)	**18**	357
Due from a related party – interest-bearing short-term financing		
Blue Star Systems and Solutions LLC (Subsidiary)	**12,755**	11,730
	13,324	12,087

16. Related party balances and transactions (continued)

Outstanding balances at the reporting date are unsecured, interest free and settlement generally occurs in cash. For the year ended 31 March 2024, the Company has not recorded any impairment of amounts owed by the related parties. The impairment assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The management of the Company estimates the allowance due from related party balances at the end of the reporting period at an amount equal to lifetime ECL. None of the receivable balances from related parties at the end of the reporting period are past due, and taking into account the historical default experience and the future prospects of the industries in which the related parties operate, management of the Company consider that no related party balances are impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowance for balances due from related parties. The banking facilities are secured against irrecoverable corporate guarantee issued by the Parent Company (Note 24).

17. Employee benefits expense

	2024 AED'000	2023 AED'000
Salaries, wages and bonus	**7,623**	6,956
Employees' end of service indemnity	**310**	211
Other employment expenses	**145**	113
Staff welfare expenses	**643**	507
Total employee benefits expense	**8,721**	7,787

18. Other expenses

	2024 AED'000	2023 AED'000
Advertising and sales promotion	**3,073**	1,819
Travelling and conveyance	**764**	433
Foreign Exchanges differences (net)	**509**	22
Legal and professional fees	**477**	217
Insurance	**384**	516
Audit fees	**180**	90
Communication expenses	**98**	106
Freight and forwarding charges	**70**	96
Repairs and maintenance	**53**	51
Printing and stationery	**31**	8
Bad debts / advances written off	**-**	19
Miscellaneous expenses	**579**	587
Total other expenses	**6,218**	3,964

19. Finance (income) /costs

	2024	2023
	AED'000	AED'000
Interest on term loan and overdrafts	**39**	79
Interest on lease liability	**48**	60
Bank charges	**246**	197
Total finance costs	**333**	336
Total finance income	**(862)**	(487)

20. Other income

	2024	2023
	AED'000	AED'000
Service fee income from Joint Venture of subsidiary	**1,095**	349

21. Commitments and contingencies

	2024	2023
	AED'000	AED'000
Corporate guarantee issued by the Parent Company (For credit facilities)	**37,548**	37,548

22. Financial risk management objectives and policies

The Company's principal financial liabilities comprise trade payables, accrued expenses, provision for incentives and current portion of provisions, interest bearing loans and borrowings and other payables. The Company's financial assets comprises trade receivables, bank balances and balance with statutory authorities.
The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company's senior management oversees the management of these risks.

The main risks arising from these financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Company's financial risk management processes and policies relating to these risks are discussed in detail below:

22. Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to the risk of changes in market interest rates relates primarily to the borrowings. The sensitivity analysis below has been determined based on the exposure to interest rates for borrowings at the reporting date. The analysis is prepared assuming that these amounts outstanding at the reporting date were outstanding throughout the year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables held constant, the Company's profit for the period end 31 March 2024 would increase/(decrease) by AED Nil (previous year profit for the period end 31 March 2023 would increase/(decrease) by AED 4,017). There is no direct impact on the Company's equity other than the impact resulting from the effect on the loss for the year.

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.

The Company is exposed to credit risk on the following financial assets:

	2024 AED'000	2023 AED'000
Trade receivables	**48,280**	38,369
Due from a related party	**13,324**	12,087
	61,604	50,456

	Neither past due nor impaired AED'000	**Less than 1 year AED'000**	**More than 1 year AED'000**	**Expected credit losses AED'000**	**Total AED'000**
31 March 2024					
Trade receivables	**38,134**	**10,146**	**-**	**-**	**48,280**
Due from a related party	**13,324**	**-**	**-**	**-**	**13,324**
	51,458	**10,146**	**-**	**-**	**61,604**
31 March 2023					
Trade receivables	36,236	2,110	23	-	38,369
Due from a related party	12,087	-	-	-	12,087
	48,323	2,110	23	-	50,456

22. Financial risk management objectives and policies (continued)

Credit risk (continued)

Credit risks related to trade receivables are managed subject to the Company's policy, procedures and control relating to customer credit risk management. Credit limits are established by management for all customers based on internal assessment of the credit quality of customers. Outstanding trade receivables are regularly monitored. The requirement for impairment is analysed at each reporting date on an individual basis.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company, and arises principally from the Company's trade and other receivables, due from related parties and bank balances. The Company controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties and assessing creditworthiness of counterparties on a routine and regular basis.

The Company's current credit risk grading framework comprises the following categories:

Category	***Description***	***Basis for recognizing expected credit losses***
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 month ECL
Doubtful	Amount is more than 90 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit impaired
In default	Amount is more than 365 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Establishment has no realistic prospect of recovery.	Amount is written off

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Management believes that the concentration of credit risk is mitigated by high credit worthiness and financial stability of its customer. The credit risk on liquid funds is limited because the counter parties are reputable international banks and is highly regulated by the central banks of the respective countries.

Trade and other receivables, amounts due from related parties and balances with banks are not secured by any collateral. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counterparties fail to perform their obligations generally approximates their carrying value.

22. Financial risk management objectives and policies (continued)

Credit risk (continued)

The tables below detail the credit quality of the Company's financial assets as well as the Company's' maximum exposure to credit risk:

31 March 2024	**12-month or lifetime ECL**	**Gross carrying amount AED'000**	**Loss allowance AED'000**	**Net carrying amount AED'000**
Trade receivables	Lifetime ECL	**48,280**	**-**	**48,280**
Bank balances	12-month ECL	**2,392**	**-**	**2,392**
Total		**50,672**	**-**	**50,672**

31 March 2023	12-month or lifetime ECL	Gross carrying amount AED'000	Loss allowance AED'000	Net carrying amount AED'000
Trade receivables	Lifetime ECL	38,725	-	38,725
Bank balances	12-month ECL	1,659	-	1,659
Total		40,384	-	40,384

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. Management believes that the concentration of credit risk is mitigated by high credit worthiness and financial stability of its customer.

Out of total trade receivable, AED 7,827,897 (2023: AED 4,360,802) is secured by letter of credit, AED 38,397,109 (2023: AED 31,362,993) is covered through credit insurance and AED 2,055,331 (2023: AED 3,001,374) is on open credit.

Liquidity risk

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

The Company limits its liquidity risk by retaining sufficient funds generated from operations. The Company's terms of sales require amounts to be paid within an average of 90 days from the date of sale. Trade payables are normally settled within 60 to 180 days from the date of purchase.

22. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table below summaries the maturities of the Company's undiscounted financial liabilities at 31 March 2024, based on contractual payment dates and current market interest rates.

	Less than 1 year AED'000	**More than 1 year AED'000**	**Total AED'000**
At 31 March 2024			
Trade payables - non-interest bearing instruments	**40,082**	**-**	**40,082**

	Less than 1 year AED'000	More than 1 year AED'000	Total AED'000
At 31 March 2023			
Trade payables - non-interest bearing instruments	36,882	-	36,882
Borrowings - Interest bearing instruments*	850	-	850
Total	37,732	-	37,732

*Effective Interest rate of borrowing is at 3 months LIBOR plus 1.60% p.a.

As on 31 March 2024, overall utilized banking facility is AED Nil (31 March 2023: AED 850,000).

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company's currency transactions are principally in AED and United States Dollars (USD). The Company's separate statement of financial position is not affected significantly by movements in currencies, which are currently pegged to the USD.

As at reporting date, there are no significant foreign currency risks with respect to the Company's financial assets and liabilities denominated in foreign currencies.

The Company's objective for capital management is to maximize shareholder wealth, safeguard business continuity and support the growth of the Company. The Company determines the capital management requirement based on annual operating plans and long term and other strategic investment plans. The funding requirements are met through optimum mix of borrowed and owned funds.

Notes to the financial statements
for the year ended 31 March 2024 (continued)

23. Disclosure in connection with Revenue from Contract with Customers

Disaggregation of revenue:

The table below presents disaggregated revenues from contracts with customers for the year ended 31 March 2024 and 31 March 2023 by offerings and contract-type. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by industry, market and other economic factors:

Revenue by type of contracts

	31 March 2024			31 March 2023 (unaudited)		
	At a point in time AED'000	**Over a period of time AED'000**	**Total AED'000**	At a point in time AED'000	Over a period of time AED'000	Total AED'000
Electromechanical and commercial air conditioning systems and equipments	**156,089**	**-**	**156,089**	153,245	-	153,245

24. Corporate income tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, as prescribed by way of a Cabinet Decision.

The Company is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

25. Approval of separate financial statements

The separate financial statements for the year ended 31 March 2024 were approved by the board of directors and authorized for issue on 11 July 2024.