ELECTROSTEEL CASTINGS GULF FZE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED 31 MARCH 2026

ELECTROSTEEL CASTINGS GULF FZE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2026

CONTENTS	PAGE

PKF
PKF - Chartered Accountants (Dubai Br)
بيه كي إف - تشارترد اكاونتنتس (فرع دبي)
Accountants &
business advisers

Level 18, Rolex Tower,
Sheikh Zayed Road,
P.O.Box 13094, Dubai, UAE.

Tel +9714 3888 900
Email dubai@pkfuae.com
www.pkfuae.com

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 2026, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Establishment as at 31 March 2026, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and for their compliance with the applicable provisions of the Jebel Ali Free Zone Companies Implementing Regulations as amended, 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.

continued...

INDEPENDENT AUDITOR'S REPORT
(continued)

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.

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.

continued...

INDEPENDENT AUDITOR'S REPORT
(continued)

- 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.

Report on Other Legal and Regulatory Requirements
We further confirm that the financial statements comply with the applicable provisions of the JAFZA Companies Regulations and Implementing Rules (as amended). Also, in our opinion, proper books of account and other records have been maintained in accordance with the said regulations.

For **PKF – Chartered Accountants (Dubai Br)**

Lalwani

AUDITORS
PKF
U.A.E.

Saranga Lalwani
Partner
Registration No. 5468
Dubai
United Arab Emirates
1 1 MAY 2026

ELECTROSTEEL CASTINGS GULF FZE

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2026

	Notes	2026 AED	2025 AED
ASSETS			
Non-current assets			
Property, Plant and Equipment	6	--	--
Non-current financial assets	7	104,340	104,340
		104,340	104,340
Current assets			
Inventories	8	670,301	1,842,024
Trade and other receivables	9	12,856,792	10,816,535
Other current assets	10	423,633	261,145
Other financial assets	12	1,888,978	370,332
Cash and cash equivalents	13	1,344,957	836,279
		17,184,661	14,126,315
Total assets		17,289,001	14,230,655
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,000,000	1,000,000
Retained earnings		5,258,475	3,628,092
		6,258,475	4,628,092
Non-current liability			
Provision for staff end-of-service benefits	15	187,495	172,620
Current liabilities			
Trade and other payables	16	10,248,075	8,003,323
Other current liabilities	17	307,241	1,426,620
Current tax liabilities	26	287,715	--
		10,843,031	9,429,943
Total liabilities		11,030,526	9,602,563
Total equity and liabilities		17,289,001	14,230,655

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

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 by the manager and signed on their behalf by Mr. Shivendra Agarwal on 11 MAY 2026

For **ELECTROSTEEL CASTINGS GULF FZE**

SHIVENDRA AGARWAL
MANAGER

P.O. Box : 261462
Jebel Ali
Dubai - U.A.E.
Electrosteel Castings Gulf FZE
الكتروستيل كاستينغز غلف م.م.ح

ELECTROSTEEL CASTINGS GULF FZE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2026

	Notes	2026 AED	2025 AED
Revenue	19	30,714,752	17,143,196
Purchases of inventories (including direct costs)		(25,776,625)	(14,009,539)
Changes in inventories		93,441	8,252
Other operating income	20	1,206,497	120,122
Staff costs	21	(1,309,968)	(1,274,810)
Other operating expenses	22	(3,062,273)	(2,121,905)
Interest income	23	52,274	16,165
PROFIT/ (LOSS) FOR THE YEAR BEFORE TAX		1,918,098	(118,519)
Income tax expense	26	(287,715)	--
PROFIT/ (LOSS) FOR THE YEAR AFTER TAX		1,630,383	(118,519)
Other comprehensive income:			
Other comprehensive income for the year		--	--
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,630,383	(118,519)

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

ELECTROSTEEL CASTINGS GULF FZE

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2026

	Share capital AED	Retained earnings AED	Total AED
Balance at 1 April 2024	1,000,000	3,746,611	4,746,611
Total comprehensive income for the year	--	(118,519)	(118,519)
Balance at 31 March 2025	1,000,000	3,628,092	4,628,092
Total comprehensive income for the year	--	1,630,383	1,630,383
Balance at 31 March 2026	**1,000,000**	**5,258,475**	**6,258,475**

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

ELECTROSTEEL CASTINGS GULF FZE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2026

	2026	2025
	AED	AED
Cash flows from operating activities		
Profit/ (loss) for the year before tax	1,918,098	(118,519)
Adjustments for:		
Interest income	(52,274)	(16,165)
Provision for staff end-of-service benefits	14,875	18,235
	1,880,699	(116,449)
Changes in:		
- Inventories	1,171,723	(1,587,392)
- Trade and other receivables	(2,040,257)	(7,876,937)
- Other current assets	(162,488)	(72,573)
- Trade and other payables	2,244,752	7,119,928
- Other current liabilities	(1,119,379)	969,342
Net cash from / (used in) operating activities	1,975,050	(1,564,081)
Cash flows from investing activities		
Receipts from related party loan	--	1,871,336
Increase in other financial assets	(1,466,372)	(368,244)
Interest received	--	14,077
Net cash (used in)/from investing activities	(1,466,372)	1,517,169
Net increase/ (decrease) in cash and cash equivalents	508,678	(46,912)
Cash and cash equivalents at beginning of year	836,279	883,191
Cash and cash equivalents at end of year (note 13)	1,344,957	836,279

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

1. **REPORTING ENTITY**

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 JAFZA Companies Regulations and Implementing Rules (as amended) 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, nails 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 listed company in India, which is considered to be the ultimate parent company.

2. **BASIS OF PREPARATION**

a) **Statement of compliance**

The financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and the requirements of Jebel Ali Free Zone Companies Implementing Regulation as amended.

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.

d) **Adoption of new Standards**

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

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

- Amendments to IAS 21 – Lack of Exchangeability.

New and revised Standards in issue but not yet effective and not early adopted

The following standards, 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.

- Annual Improvements to IFRS Accounting Standards—Volume 11 (1 January 2026);
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7) (1 January 2026);
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) (1 January 2026)
- IFRS 18 Presentation and Disclosures in Financial Statements (1 January 2027);
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (1 January 2027).

e) **Functional and presentation currency**

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

3. **MATERIAL ACCOUNTING POLICIES**

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

a) **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.

b) **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 basic salary and length of services which is accrued over the period of employment. Provision for staff end of services benefits are disclosed as non-current liability.

c) **Revenue recognition**

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

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 goods 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.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. 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.

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.

Sales also includes 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 services provided to parent company and other suppliers.

d) **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.

e) **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.

f) **Cash and cash equivalents**

Cash and cash equivalents comprise balance in bank current accounts.

g) **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.

h) **Provisions**

General

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.

i) **Value added tax**

As per the Federal Decree-Law No. (08) of 2017 and its amendments, 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.

j) **Income and deferred tax**

Tax expense for the year comprises of current income tax and deferred tax. Current tax is measured by the amount of tax expected to be paid to the federal tax authorities on the taxable profits after considering tax disallowances, exemptions and reliefs after applying the applicable tax rates . Deferred tax is recognised on the 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 non-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.

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.

k) **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,

- The Establishment does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

The Establishment classifies all other liabilities as non-current.

l) **Financial instruments**

Classification

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

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.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument 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 fair value through profit or loss 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 fair value through profit or loss, transaction costs that are directly attributable to its acquisition. Transactions costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

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 fair value through profit or loss.

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

Impairment of financial assets

The Establishment recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses 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 Expected credit losses: Expected credit losses that result from possible default events within 12 months after the reporting date; and
- Lifetime Expected credit losses: Expected credit losses 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 expected credit losses, except for the following which are measured as 12-month expected credit losses:
- Bank balances, short-term loan, non-current and other 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.

The Establishment has elected to measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses 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 expected credit losses, 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 expected credit losses 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.

Equity

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

m) **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.

n) **Events after the reporting period**

If the Establishment receives information after the reporting period, but prior to the date of authorisation for issue of the financial statements, about conditions that existed at the end of the reporting period, it assesses whether the information affects the amounts that it recognises in its financial statements. The Establishment adjusts the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Establishment does not change the amounts recognised in its financial statements, but discloses the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

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

Following are the judgments made in applying accounting policies, that affect the application of the Establishment's accounting policies and the amounts recognised in the financial statements:

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

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

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**

Following are the 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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Establishment's risk management where appropriate. Revisions to estimates are recognised prospectively:

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(l).

Income tax

Significant judgments are involved in determining the provision for income tax, including the amount expected to be paid or recovered in connection with uncertain tax positions.

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.

Inventory provisions

Management regularly undertakes a review of the Establishment's inventories including goods in transit, stated at AED 670,301 (previous year AED 1,842,024) 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 187,495 (previous year AED 172,620), 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
Cost	
At 1 April 2024, 31 March 2025 and 31 March 2026	**17,247**
Accumulated depreciation	
At 1 April 2024, 31 March 2025 and 31 March 2026	**17,247**
Carrying amount	
At 1 April 2024, 31 March 2025 and 31 March 2026	--

		2026	2025
		AED	AED
7.	**NON-CURRENT FINANCIAL ASSETS**		
	Long-term loan	104,340	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.

		2026	2025
8.	**INVENTORIES**		
	Goods held for sale	108,157	14,716
	Goods-in-transit	562,144	1,827,308
		670,301	1,842,024
9.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	11,025,732	10,712,110
	Deposits	22,682	24,689
	Other receivables	1,808,378	79,736
		12,856,792	10,816,535

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

	2026	2025
Trade receivables not past due		
- 0 to 60 days	9,026,146	5,299,050
- 61 to 90 days	42,773	607,837
- 91 to 180 days	1,956,813	4,805,223
	11,025,732	10,712,110

The Establishment holds letters of credit amounting to AED 10,997,182 (previous year AED 10,597,007) as security against trade receivables.

		2026	2025
10.	**OTHER CURRENT ASSETS**		
	Prepayments	158,658	158,661
	Advance for goods and services	183,243	53,232
	VAT receivable (net)	81,732	49,252
		423,633	261,145

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, fellow subsidiaries, companies under common ownership and/or common management and key managerial personnel.

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

	Ultimate parent company AED	Fellow subsidiaries AED	Total 2026 AED	Total 2025 AED
Included in trade and other receivables	96,198	--	96,198	
	79,736	--		79,736
Included in trade and other payables	8,114,306	--	8,114,306	
	7,181,936	--		7,181,936
Other current liabilities	--	--	--	
	--	1,225,780		1,225,780

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in notes 9 and 24.

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

	Ultimate parent company AED	Fellow subsidiaries AED	Total 2026 AED	Total 2025 AED
Purchase of inventories	21,239,256	117,232	21,356,488	
	13,065,835	--		13,065,835
Commission income	96,198	--	96,198	
	79,553	--		79,553

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

	2026 AED	2025 AED
12. OTHER FINANCIAL ASSETS		
Short-term loan	1,888,978	370,332

This represents loan to a third party with an interest of 3% p.a. which is repayable on demand.

Movement is as follows:		
Opening balance	370,332	--
Loan given during the year	1,466,372	368,244
Interest credited	52,274	2,088
Closing balance	1,888,978	370,332

		2026 AED	2025 AED
13.	**CASH AND CASH EQUIVALENTS**		
	Bank balances in current accounts[(a)]	1,344,957	836,279

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

		2026 AED	2025 AED
14.	**SHARE CAPITAL**		
	Issued and paid up:		
	1 share of AED 1,000,000 held by Electrosteel Castings Limited, a company registered in India.	1,000,000	1,000,000
15.	**PROVISION FOR STAFF END-OF-SERVICE BENEFITS**		
	Opening balance	172,620	154,385
	Provision for the year	14,875	18,235
	Closing balance	187,495	172,620
16.	**TRADE AND OTHER PAYABLES**		
	Trade payables	9,735,905	7,834,718
	Other payables	322,404	90,403
	Accruals	189,766	78,202
		10,248,075	8,003,323

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

		2026 AED	2025 AED
17.	**OTHER CURRENT LIABILITIES**		
	Advance for goods	182,241	1,426,620
	Employee related accruals	125,000	--
		307,241	1,426,620

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.

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. 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.

	2026 AED	2025 AED
Primary geographical segments		
- UAE	10,420,879	7,019,365
- Other Middle East countries	20,293,873	10,123,831
	30,714,752	17,143,196
Major goods lines		
- Trading in goods	30,714,752	17,143,196
Timing of revenue recognition		
- At a point in time	30,714,752	17,143,196

20. OTHER OPERATING INCOME

	2026 AED	2025 AED
Commission income	1,197,197	79,553
Miscellaneous income	9,300	40,569
	1,206,497	120,122

21. STAFF COSTS

	2026 AED	2025 AED
Staff salaries and benefits	1,295,093	1,256,575
Staff end-of-service benefits	14,875	18,235
	1,309,968	1,274,810

22. OTHER OPERATING EXPENSES

	2026 AED	2025 AED
Carriage outward charges	1,193,867	719,166
Commission expenses	478,676	172,527
Professional and consultancy charges	525,607	247,762
Bank charges	201,109	60,740
Business travel expenses	121,896	148,766
Short-term lease charges	73,488	61,543
Sales promotion expenses	97,698	5,992
Retainership fees	72,400	522,834
Other expenses	297,532	182,575
	3,062,273	2,121,905

		2026	2025
		AED	AED
23.	**INTEREST INCOME**		
	Interest on loan to corporate entity	52,274	16,165

24. **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	
	2026	2025
Financial assets	AED	AED
Non-current financial assets	104,340	104,340
Trade and other receivables	12,856,792	10,816,535
Cash and cash equivalents	1,344,957	836,279
Other financial assets	1,888,978	370,332
	16,195,067	12,127,486
Financial liabilities		
Trade and other payables	10,248,075	8,003,323

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, other financial assets and trade and other payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

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 are not materially different from their fair values

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 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, other financial assets and short-term loan to a related party.

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 and current financial asset 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:

	2026 AED	2025 AED
Middle East countries		
Non-current financial assets	104,340	104,340
Trade receivables	9,805,005	9,162,705
Other receivables	1,734,862	--
Asian countries		
Other receivables	96,198	79,737

At the reporting date, 92% of trade receivables were due from three customers (previous year 92% from three customers).

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.

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	
	2026	2025
	AED	AED
Trade and other payables	**10,248,075**	8,003,323

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 is not subject to any significant interest rate risks.

25. **SIGNIFICANT EVENTS**

Current ongoing conflict in the West Asia region

The ongoing geopolitical conflict in the West Asia Region have introduced a degree of uncertainty in the Global and regional environment. The United Arab Emirates may experience indirect impacts arising from these developments. The Establishment has assessed the potential implications of the situation on its operations and financial performance as at the reporting date.

Potential risk that may arise include fluctuations in oil prices, disruptions to supply chain, increased transportation/insurance cost which could have an impact on the Establishment's operations in the future periods.

While there is no material direct impact on the Establishments financial statements for the current reporting period, the management continues to closely monitor the impact of the situations on the Establishment's operations.

26. **CORPORATE TAX**

a) 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.

In accordance with the CT Law, a free zone entity is eligible for a 0% corporate tax rate on its "Qualifying Income," provided it meets specific conditions.

For the previous year, the Establishment determined that its income qualifies as "Qualifying Income" as it is registered in the Jebel Ali Free Zone, a designated free zone, and derives income from qualifying activities related to the distribution of goods or materials from a Designated Zone.

The Establishment applied the 0% corporate tax rate to its qualifying income in the previous year, resulting in no tax expense being recognized on such income.

b) In the current year, an amount of AED 287,715 has been recognized as a provision in accordance with the OECD Pillar Two model rules. These rules, issued in December 2021 by the Organisation for Economic Co-operation and Development (OECD) under the Global Anti-Base Erosion (GloBE) framework—part of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS)—are intended to ensure that large multinational enterprises (MNEs), with annual consolidated revenue of EUR 750 million or more at the ultimate parent entity level in at least two of the preceding four fiscal years, are subject to a minimum effective tax rate of 15% in each jurisdiction in which they operate.

Below note provides an analysis of the Establishment's tax expenses and liability, and discloses the amounts recognized as tax expense and liability for the current year.

	2025 AED	2024 AED
Statement of financial position:		
Corporate tax payable	287,715	--
Statement of profit or loss:		
Corporate tax expense	287,715	--
Relationship between tax expenses and accounting profits:		
Profit/ (loss) for the year before tax	1,918,098	(118,519)
Taxable income for the year	1,918,098	--
Tax at the applicable rate of 15% (2025 - 0%)	287,715	--
Effective tax rate	15%	--

27. **COMPARATIVE INFORMATION**

Previous year's figures have been regrouped/reclassified wherever necessary to make them comparable to those of the current period.

For **ELECTROSTEEL CASTINGS GULF FZE**

Agarwal

P.O. Box : 261462
Jebel Ali
Dubai - U.A.E.
Electrosteel Castings Gulf FZE
الكتروستيل كاستينغز غلف م م ح

SHIVENDRA AGARWAL
MANAGER