

PANOL INDUSTRIES RMC FZE
RAK MARITIME CITY
RAS AL KHAIMAH - UNITED ARAB EMIRATES

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

PANOL INDUSTRIES RMC FZE
RAK MARITIME CITY
RAS AL KHAIMAH - UNITED ARAB EMIRATES

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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Independent Auditor's Report

To,
The Shareholders,
Panol Industries RMC FZE,
RAK Maritime City,
Ras Al Khaimah – United Arab Emirates.

Report on the audit of the financial statements:

Opinion:

We have audited the accompanying financial statements of **PANOL INDUSTRIES RMC FZE**, ("the Establishment"), which comprise of the statement of financial position for the year ended **March 31, 2023**, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements present fairly, in all material respects, the financial position of **PANOL INDUSTRIES RMC FZE** ("the Establishment") as at **March 31, 2023** and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of the report. We are independent of the Entity 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 Entity's financial statements in the United Arab Emirates. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Furthermore, the management has compiled the financial statements on the basis of information, evidence and data that was available.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The management and those charged with governance are responsible for overseeing the company's financial reporting process.



Independent Auditor's Report - PANOL INDUSTRIES RMC FZE - March 31, 2023 - Continued...

The Company's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Company's financial statements is appropriate. However, neither management nor the auditor can guarantee the Company's ability to continue as a going concern.

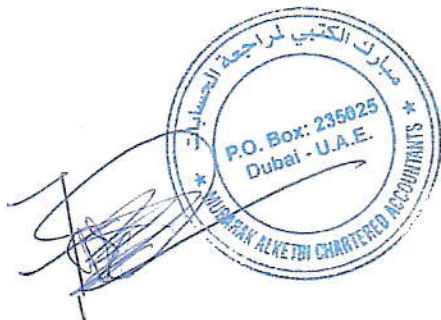
Auditor's responsibilities for the audit of the financial statements:

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 include 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.

Report on Other Legal and Regulatory Requirements:

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that we have obtained all the information and explanations that we considered necessary for the purpose of our audit. We did not conduct any tax audit separately; and our scrutiny and verification are samples base to ensure a peripheral tax assessment. According to the information made available to us, we are not aware of any contraventions of the UAE Federal Law No. (2) of 2015 (as amended), or the Entity's Articles of Association; which may materially effect on the financial position of the Entity or the result of its operations for the year then ended.

The accounting policies and notes are an integral part of accompanying financial statements.



MUBARAK AL KETBI CHARTERED ACCOUNTANTS

Muhammad Farooq Muhammad Suleman (Reg. # 1328)

Dubai, United Arab Emirates

12 May 2023

PANOL INDUSTRIES RMC FZE
RAK MARITIME CITY
RAS AL KHAIMAH - UNITED ARAB EMIRATES
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 AED	2022 AED
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	32,190,607	33,245,866
CURRENT ASSETS			
Stores, spare parts and loose tools	5		
Stock-in-trade	6	21,570,647	25,280,938
Trade debts	7	15,993,378	25,533,051
Advances, deposits and prepayments	8	26,129,575	16,003,653
Cash and cash equivalents	9	21,614,490	7,745,242
		<u>85,308,090</u>	<u>74,562,884</u>
TOTAL ASSETS		<u>117,498,697</u>	<u>107,808,750</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorized share capital 33 018 (2022: 33 018) ordinary shares of AED 1000 each		<u>33,018,000</u>	<u>33,018,000</u>
Issued, subscribed and paid up share capital	2	33,018,000	33,018,000
Statutory reserve	10	2,238,762	
Retained earnings		<u>76,397,077</u>	<u>56,248,219</u>
		<u>78,635,839</u>	<u>56,248,219</u>
TOTAL EQUITY		<u>111,653,839</u>	<u>89,266,219</u>
NON-CURRENT LIABILITIES			
Staff Retirement Benefits	11	173,871	128,175
CURRENT LIABILITIES			
Trade And Other Payables	12	5,670,987	3,910,817
Short Term Borrowings	13	-	14,503,539
		<u>5,670,987</u>	<u>18,414,356</u>
TOTAL LIABILITIES		<u>5,844,858</u>	<u>18,542,531</u>
CONTINGENCIES AND COMMITMENTS			
	14		
TOTAL LIABILITIES AND EQUITY		<u>117,498,697</u>	<u>107,808,750</u>

The accounting policies and notes on pages 8-28 form an integral part of these financial statements.

The independent auditors' report is set forth on page 1 - 2.

We declare that all records, information, and explanation provided for the preparation of accompanying financial statements is true, accurate, and complete to the best of our knowledge and belief; and have been approved and signed by the undersigned on 12-May-2023.

For and on the behalf of PANOL INDUSTRIES RMC FZE

Authorized signatory



PANOL INDUSTRIES RMC FZE
RAK MARITIME CITY
RAS AL KHAIMAH - UNITED ARAB EMIRATES
STATEMENT OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023	2022
		AED	AED
Revenue from contracts with customers	14	246,685,959	293,110,300
Cost of revenue	15	(197,152,529)	(239,996,944)
Gross profit		49,533,430	53,113,356
Operating expenses			
Distribution cost	16	(21,201,694)	(16,719,906)
Administrative expenses	17	(5,290,666)	(6,193,016)
Other expenses	18	(318,881)	(479,597)
		(26,811,241)	(23,392,519)
		22,722,189	29,720,837
Other Income	19	338,008	86,108
Profit from operations		23,060,197	29,806,945
Finance costs	20	(672,576)	(1,394,371)
Profit for the year		22,387,620	28,412,574

The accounting policies and notes on pages 8-28 form an integral part of these financial statements.

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**PANOL INDUSTRIES RMC FZE
RAK MARITIME CITY
RAS AL KHAIMAH - UNITED ARAB EMIRATES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023**

	2023	2022
Note	AED	AED
Profit for the year	22,387,620	28,412,574
Other comprehensive income		
Items not to be reclassified to profit or loss in subsequent periods	-	-
Total comprehensive income for the year	<u>22,387,620</u>	<u>28,412,574</u>

The accounting policies and notes on pages 8-28 form an integral part of these financial statements.

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Authorized signatory



PANOL INDUSTRIES RMC FZE
RAK MARITIME CITY
RAS AL KHAIMAH - UNITED ARAB EMIRATES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Share Capital AED	Statutory Reserves AED	Retained Earnings AED	Total AED
Balance at 01-Apr-2021	33,018,000	-	27,835,645	60,853,645
Profit for the year	-	-	28,412,574	28,412,574
Balance at 31-Mar-2022	33,018,000	-	56,248,219	89,266,219
Profit for the year	-	-	22,387,620	22,387,620
Transferred to statutory reserve	-	2,238,762	(2,238,762)	-
Balance at 31-Mar-2023	33,018,000	2,238,762	76,397,077	111,653,839

The accounting policies and notes on pages 8-28 form an integral part of these financial statements.

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Authorized signatory



PANOL INDUSTRIES RMC FZE
RAK MARITIME CITY
RAS AL KHAIMAH - UNITED ARAB EMIRATES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
Note	AED	AED
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	22,387,620	28,412,574
Adjustments for:		
Depreciation on property, plant and equipment	4 1,490,078	1,440,973
Provision for staff retirement benefits	11 45,696	128,175
Operating profit before changes in operating activities:	23,923,394	29,981,722
(Increase)/Decrease in current assets:		
Stores, spare parts and loose tools	5 -	-
Stock-in-trade	6 3,710,291	27,523,574
Trade debts	7 9,539,673	(10,304,702)
Advances, deposits and prepayments	8 (10,125,922)	(12,120,233)
Increase/(Decrease) in current liabilities:		
Trade And Other Payables	12 1,760,170	(26,983,824)
Net cash generated from operating activities - (A)	28,807,606	8,096,537
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	4 (434,819)	(578,438)
Net cash used in investing activities - (B)	(434,819)	(578,438)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short Term Borrowings	(14,503,539)	(14,280,313)
Net cash used in financing activities - (C)	(14,503,539)	(14,280,313)
Net Increase / Decrease in cash and cash equivalents - (A+B)	13,869,248	(6,762,214)
Cash and cash equivalents at beginning of the year	7,745,242	14,507,456
Cash and cash equivalents at end of the year	21,614,490	7,745,242

The accounting policies and notes on pages 8-28 form an integral part of these financial statements.

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PANOL INDUSTRIES RMC FZE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1 LEGAL STATUS AND BUSINESS ACTIVITY

1.1 PANOL INDUSTRIES RMC FZE (the Entity) was registered on 07-03-2012 in RAK Maritime City, Ras Al Khaimah, U.A.E. The entity registered address is P.O.Box: 5130, Rak Maritime City, Ras Al Khaimah, U.A.E.

1.2 The principle activity of the entity is Grease and Lubricant Manufacturing, under the License no. RMC 07 12 0001.

1.3 The management and control are vested with Mr. Samir Rayani.

Mr. Samir Rayani, Mr. Amin Rayani and Mr. Mukesh Mehta has been appointed as director's of Panol Industries RMC FZE.

1.4 Tax registration number 100324047800003.

2 SHAREHOLDING

The shareholding of the entity is as follows:

	Shares holding	No. of shares	AED
Name of the Shareholders			
M/S. Panama Petrochem Ltd.	100%	33018	33,018,000
Total	100%	33018	33,018,000

The authorized and paid up share capital of the company is AED 33,018,000/- divided into 33018 shares of AED 1,000/- each.

3 BASIS FOR PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with the accounting and reporting standards as applicable in United Arab Emirates. The accounting and reporting standards as applicable in United Arab Emirates comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB), as notified under UAE Federal Law No. (2) of 2015; and
- Provisions of and directives issued under the UAE Federal Law No. (2) of 2015.

Where provisions of and directives issued under the UAE Federal Law No. (2) of 2015 differ from the IFRS Standards, the provisions of and directives issued under the UAE Federal Law No. (2) of 2015 have been followed.

3.2 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.

3.3 Going concern

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

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3.4 Functional and presentation currency

The financial statements are presented in UAE Dirhams which is the Company's functional currency.

3.5 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting and reporting standards as applicable in United Arab Emirates requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that year, or in the year of the revision and any future year affected. In the process of applying the Company's accounting policies, the management has made the following estimates, assumptions and judgments which are relevant to the financial statements:

3.4.1 Property, plant and equipment

The Company reviews the useful lives and residual values of property, plant and equipment on the reporting date. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3.4.2 Stores, spare parts and loose tools and stock in trade

The Company reviews the stores, spare parts and loose tools and stock in trade for possible write downs/provisions on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items with a corresponding effect on the provision.

3.4.3 Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of counter parties defaulting and the resulting losses).

Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including the various formulas and choice of inputs.

- Determining the criteria, if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;

- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on Probability of Default (PDs), Exposure At Default (EADs) and Loss Given Default (LGDs); and

- Selection of forward-looking macroeconomic scenarios and their Probability weightings, to derive The economic inputs into The ECL models.

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FOR THE YEAR ENDED 31 MARCH 2023

3.6 New and amended standards and interpretations

3.5.1 There are certain amendments to the accounting and reporting standards which became applicable to the Company on 1 April 2022. However, these amendments do not have any significant impact on the Company's financial statements.

3.5.2 The following International Financial Reporting Standards (IFRS Standards), interpretations and the amendments as notified are effective for accounting periods beginning from the dates specified below:

- Amendment to IFRS 3 'Business Combinations' (effective for annual periods beginning on or after 1 April 2023). The amendments are not likely to have impact on Company's financial statements.

- Amendments to IAS 1 'Presentation of Financial Statements'- Classification of liabilities as current or non-current (effective for the annual periods beginning on or after 1 January 2023). These amendments in the standard have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The Company is currently assessing the impact on its financial statements.

- Amendments to IAS 16 'Property, Plant and Equipment', Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022). These amendments clarify that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The amendments are not likely to have impact on Company's financial statements.

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' Onerous Contracts- Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022). It amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to have impact on Company's financial statements.

- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2- Disclosure of Accounting Policies (effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted)- relates to amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include :

- requiring companies to disclose their material accounting policies rather than their significant accounting

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
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The Company is currently assessing the impact on its financial statements.

- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'-Definition of Accounting Estimates (effective for annual reporting periods beginning on or after 01 January 2023)- The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The Company is currently assessing the impact on its financial statements.

- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendment changes the accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review. The amendments are not likely to have impact on Company's financial statements.

Following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022:

IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the Financial borrower) and the lender, including fees paid as per or received by either the entity or the lender Instruments' on the other's behalf, when it applies the '10 per cent' test as per IFRS 9 in assessing whether to derecognize a financial liability.

IFRS 16 – The amendment partially amends an Illustrative Example accompanying IFRS 16 by excluding 'Leases' the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation 'Agriculture' cash flows when measuring the fair value of a biological asset using a present value technique.

The above mentioned amendments are not likely to have an impact on Company's financial statements.

3.5.3 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3.6 Summary of Significant Accounting Policies

A summary of the significant accounting policies, which have been applied consistently in the preparation of these financial statements, is set out below.

a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated from the date the asset is available for use until it is derecognized, using the straight-line method over the estimated useful lives of the assets as follows:

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

Capital work-in-progress is stated at cost less impairment loss, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

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

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

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

b) Impairment of tangible assets

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

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

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

c) Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at the lower of cost and net realizable value less allowance for slow moving, obsolete and in transit items. Cost is determined on the moving average basis and comprises cost of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale. Materials in transit are stated at cost comprising invoice value and other charges paid thereon.

d) Stock in trade

Stock in trade is valued at the lower of production cost and net realizable value. Cost is determined on average cost basis and mainly comprise of field operating cost incurred to extract and process oil and gas. Net realizable value signifies the estimated selling price in the ordinary course of business less net estimated cost of production and selling expenses.

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e) Staff end-of-service benefits

Provision is made for staff end-of-service benefits payable to non-UAE national employees at the reporting date in accordance with the local labour laws.

f) Statutory reserve

Statutory reserve is created by appropriating 10% of the profit of the Company as required by Article 103 of the UAE Federal Law No. (2) of 2015. The shareholders may resolve to discontinue such deduction when the reserve totals 50% of the paid-up share capital. The reserve is not available for distribution except as provided in the Federal Law.

g) Revenue from contracts with customers

Revenue recognition

Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. The application of the standard required the Company to apply the following accounting policies:

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

- Step 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.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or 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 amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the Company satisfies a performance obligation at a point in time or over time.

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

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

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The Company 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 recognizing revenue. As part of the impact assessment exercise, Company has concluded that for majority of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognize revenue overtime and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

When the Company satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition. Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

A loss is recognized in the statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

Pre-contract cost of obtaining a contract with a customer is recognized as an asset if those costs are expected to be recovered.

Revenue is recognized in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and the revenue and costs, if applicable, can be measured reliably

Contract costs

Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs are specifically chargeable to the customer under the terms of the contracts.

Costs that cannot be related to contract activity or cannot be allocated to a contract are excluded from the cost of the construction contracts and are included in other operating expenses/administrative expenses.

Contract assets

A Contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized from the earned consideration that is conditional. The contract assets are transferred to receivable when the rights become unconditional.

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Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

h) Operating lease

The Company classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The Company recognizes lease payments received under operating lease as lease income on a straight-line basis over the lease term.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in IFRS 15.

i) Finance income and expense

Finance income comprises interest income on funds invested, delayed payments from customers, on investments and lease arrangements, dividend income, exchange gain and changes in the fair value of financial assets at fair value through profit or loss. Interest income on financial assets at amortized cost is calculated using the effective interest method and is recognized in statement of profit or loss. Interest income is calculated by applying the effective interest rate to gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets. Dividend income is recognized when the right to receive the payment is established. Foreign currency gains and losses are reported on a net basis.

The Company has contractual right and is entitled to charge interest if payments from customers are delayed beyond credit terms, however, considering the uncertainties relating to recoverability of interest, the Company recognizes interest, if any, on delayed payments from customers and on investments and lease arrangements when the interest on delayed payments is received by the Company.

Finance cost comprises interest expense on borrowings (if any), unwinding of the discount on provisions and bank charges. Mark up, interest and other charges on borrowings are charged to profit or loss in the period in which they are incurred.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current and saving accounts along with other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

k) Foreign currency transaction and translation

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.

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l) Provisions and contingent liabilities

A provision is recognized in the statement of financial position when the Company has a present, legal or constructive obligation as a result of a past event, and 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 such obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the liability.

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

m) Value added tax

As per the Federal Decree-Law No. (08) of 2017, Value Added Tax (VAT), is charged at 5% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the taxable person. The Company is required to file its VAT returns and compute the payable tax (which is output tax less input tax) for the allotted tax periods and deposit the same within the prescribed due dates of filing VAT return and tax payment.

n) Current versus non-current classification

The Company 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 realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period. or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

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

o) Financial instruments

Recognition

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

Classification

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

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

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

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The Company'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 cashflows will result from collecting contractual cashflows, selling the financial assets, or both.

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

Derecognition

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

- The contractual rights to receive cash flows expire or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company 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-recognized when, and only when, they are extinguished i.e. when obligation specified in the contract is discharged, cancelled or expired.

Measurement

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

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

Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost less impairment loss, if any using the effective interest method.

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.

All other financial assets are subsequently measured at fair value.

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

The financial assets at amortized cost comprise of retention receivables, trade and other receivables, due from a related party, other financial assets and cash and cash equivalents.

Financial liabilities

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

Financial liabilities at amortized cost comprise of short-term and long-term borrowings, trade and other payables, due to related parties, lease liabilities and shareholders' current accounts.

Impairment of financial assets:

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

Loss allowances are measured on either of the following basis:

- 12-month ECLs: ECLs that result from possible default events within 12 months after the reporting date; and
 - Lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.
- The Company measures the loss allowance at an amount equal to lifetime ECLs, except for the following which are measured as 12-month ECLs.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company 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 Company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

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

- The customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 360 days past due.

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

At each reporting date, the Company assesses whether financial assets carried at amortized 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 amortized cost are deducted from the gross carrying amount of

Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

p) Equity

Ordinary shares are classified as equity. The considerations received are shown in equity after deduction of incremental costs directly attributable to the issue of shares.

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q) Fair value measurement:

The Company discloses the fair value of financial instruments measured at amortized 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.

r) Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

s) Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

t) Significant accounting judgements, estimates and assumptions

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually 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 paid on cash basis over the period of employment.

u) Foreign currency transaction and translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the period-end are translated at exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transaction. Exchange differences are included in combined statement of comprehensive income for the period.

v) Significant accounting judgements, estimates and assumptions

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingencies and commitments at the reporting date. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

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4 PROPERTY, PLANT AND EQUIPMENT

	Factory Building	Office Building	Plant and Machinery	Motor Vehicles	Office Equipments	Furniture and Fixtures	Laboratory Equipments	Total
At 31 March 2021								
Cost	10,324,825	6,081,922	23,846,875	521,015	172,925	22,035	45,224	41,014,821
Accumulated depreciation	(1,943,726)	(153,284)	(4,157,589)	(233,985)	(80,476)	(11,959)	(25,401)	(6,905,420)
Net book value	8,381,099	5,928,638	19,689,286	287,030	92,449	10,076	19,823	34,108,401
As at 31 March 2022								
Opening net book value	8,381,099	5,928,638	19,389,286	287,030	92,449	10,076	19,823	34,108,401
Addition	-	-	448,875	-	14,053	-	115,500	578,438
Depreciation charge	(326,952)	(96,298)	(907,630)	(61,870)	(31,703)	(2,093)	(14,427)	(1,440,973)
Closing net book value	8,054,147	5,832,340	18,930,531	225,160	74,809	7,983	120,896	33,245,866
At 31 March 2022								
Cost	10,324,825	6,081,922	24,295,750	521,015	186,988	22,035	160,724	41,593,259
Accumulated depreciation	(2,270,678)	(249,582)	(5,365,219)	(295,855)	(112,179)	(14,052)	(39,828)	(8,347,395)
Net book value	12,595,503	6,331,504	29,660,969	816,870	299,167	36,087	200,552	33,245,866
As at 31 March 2023								
Opening net book value	12,595,503	6,331,504	29,660,969	816,870	299,167	36,087	200,552	33,245,866
Addition	-	-	-	429,700	5,119	-	-	434,819
Depreciation charge	(326,952)	(96,298)	(923,238)	(99,945)	(26,283)	(2,093)	(15,269)	(1,490,078)
Closing net book value	12,268,551	6,235,206	28,737,731	1,146,625	278,003	33,994	185,283	32,190,607
At 31 March 2023								
Cost	10,324,825	6,081,922	24,295,750	950,715	192,107	22,035	160,724	42,028,078
Accumulated depreciation	(2,587,630)	(345,880)	(6,288,457)	(395,800)	(138,462)	(16,145)	(55,097)	(9,837,471)
Net book value	7,737,195	5,736,042	18,007,293	554,915	53,645	5,890	105,627	32,190,607
Depreciation rate	3.33%	1.67%	4%	12.50%	20%	10%	10%	10%

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	<u>2023</u>	<u>2022</u>
	<u>AED</u>	<u>AED</u>
5 STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	-	-
6 STOCK-IN-TRADE		
Raw Material	21,540,814	25,176,064
Packing Material	29,833	104,874
Finished Goods	-	-
	<u>21,570,647</u>	<u>25,280,938</u>
7 TRADE DEBTS		
Unsecured - against contract	15,993,378	25,707,766
Less: Allowance for expected credit losses (Note 7.5)	-	(174,715)
	<u>15,993,378</u>	<u>25,533,051</u>
7.1 Trade debts in respect of foreign and local jurisdictions is given under:		
Asia, Africa and Australia	10,914,375	11,938,571
Europe	72,685	-
United Arab Emirates	5,006,318	13,594,480
	<u>15,993,378</u>	<u>25,533,051</u>
7.2 Revenue from the sale of goods is recognized at the time of delivery, while payment is generally due within 10 to 90 days from delivery in case of local sales, and 15 to 120 days in case of export sales.		
7.3 As at 31 March 2023, trade debts aggregating to AED 15,993,378 (2022: 25,533,051 AED) are not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:		
1 to 30 days	13,795,422	12,178,150
31 to 60 days	1,591,839	2,226,276
61 to 90 days	253,797	9,245,782
Above 90 days	352,320	1,882,843
	<u>15,993,378</u>	<u>25,533,051</u>

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	<u>2023</u>	<u>2022</u>
	<u>AED</u>	<u>AED</u>
7.4 Allowance for expected credit losses		
Balance as at 01 April	174,715	-
Recognized during the year (Note 18)	-	174,715
	<u>174,715</u>	<u>174,715</u>
Recovered during the year (Note 19)	(174,715)	-
As at 31 March	<u>-</u>	<u>174,715</u>
8 ADVANCES, DEPOSITS AND PREPAYMENTS		
Deposit	4,051,175	2,419,311
Prepayments	152,942	141,972
Other receivables	36,018	2,745
Advances to suppliers	20,031,305	11,583,775
Fixed Deposits	1,858,135	1,855,850
	<u>26,129,575</u>	<u>16,003,653</u>
9 CASH AND CASH EQUIVALENTS		
Cash in hand	148,638	357,586
With banks:		
On Current Accounts		
Including 488,412 US\$ (2022: 1,590,897 US\$)	21,465,852	7,387,656
	<u>21,614,490</u>	<u>7,745,242</u>
10 STATUTORY RESERVE		
Opening balance	-	-
Transfer from retained earnings	2,238,762	-
	<u>2,238,762</u>	<u>-</u>
10.1 The Articles of Association of the Company require 10% of the annual profit to be transferred to a legal reserve until such reserve amounts to 50% of the share capital of the Company.		
11 STAFF RETIREMENT BENEFITS		
Opening balance	128,175	-
Provision for the year	45,696	128,175
	<u>173,871</u>	<u>128,175</u>
Payments made during the year	-	-
	<u>173,871</u>	<u>128,175</u>

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	<u>2023</u>	<u>2022</u>
	AED	AED
12 TRADE AND OTHER PAYABLES		
Creditors	5,597,633	3,802,807
Contract liabilities - unsecured	8,074	-
Accrued liabilities	65,280	103,510
Other payables	-	4,500
	<u>5,670,987</u>	<u>3,910,817</u>
13 SHORT TERM BORROWINGS		
Secured borrowings	-	14,503,539
	<u>-</u>	<u>14,503,539</u>
14 CONTINGENCIES AND COMMITMENTS		
There has been no known contingencies and commitments on Entity's financial statements as of reporting date.		
14 REVENUE FROM CONTRACTS WITH CUSTOMERS		
Export sales	159,171,474	154,428,387
Local sales	87,514,485	138,681,913
	<u>246,685,959</u>	<u>293,110,300</u>
15 COST OF REVENUE		
Opening inventory	25,280,938	52,804,512
Purchases	193,442,238	212,473,370
Closing inventory	(21,570,647)	(25,280,938)
	<u>197,152,529</u>	<u>239,996,944</u>
16 DISTRIBUTION COST		
Freight and shipment	20,888,736	13,714,516
Commission to selling agents	312,958	2,882,101
Business promotion	-	123,289
	<u>21,201,694</u>	<u>16,719,906</u>
	<u>2023</u>	<u>2022</u>
	AED	AED

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17 OPERATING AND ADMINISTRATIVE EXPENSES		
Salaries and other benefits	1,468,839	1,893,117
Power and fuel	609,393	511,651
Water charges	57,866	77,183
Repair and maintenance :- Plant	140,127	566,155
Repair and maintenance :- Others	54,168	168,215
Legal, professional and visa charges	588,630	564,216
Rent, rates and taxes	414,650	360,769
Travelling and conveyance	97,246	118,424
Telephone and courier charges	27,815	21,137
Insurance	303,607	367,820
Others	38,247	103,356
Depreciation on property, plant and equipments (Note 4)	1,490,078	1,440,973
	<u>5,290,666</u>	<u>6,193,016</u>
18 OTHER EXPENSES		
Allowance for expected credit losses (Note 7.5)	-	174,715
Net exchange loss	318,881	304,882
	<u>318,881</u>	<u>479,597</u>
19 OTHER INCOME		
Reversal of allowance for expected credit losses (Note 7.5)	174,715	-
Others	163,293	86,108
	<u>338,008</u>	<u>86,108</u>
20 FINANCE COST		
Interest expense	184,944	652,608
Bank charges	487,632	741,763
	<u>672,576</u>	<u>1,394,371</u>

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21. ENTITY - WIDE INFORMATION

The Company constitutes of a single reportable segment. The Company does not hold non-current assets in any foreign country.

22. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of non-derivative financial instruments and investment of excess liquidity.

i. Credit risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to bank balances. The Company's exposure to currency risk was as follows:

	2023	2022
Cash at banks - USD	488,442	1,590,897

Following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	3.6725	3.6730
Reporting date rate	3.6725	3.6730

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit for the year would have been AED 89,690 (2021: AED 291,168) lower / higher mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year-end exposure does not reflect the exposure during the year.

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(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. At the year end, the Company is not exposed to commodity price risk.

Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2023	2022
	AED	AED
Trade debts	15,993,378	25,533,051
Deposits	5,909,310	4,275,161
Other receivables	36,018	2,745
Bank balances	21,465,852	7,387,656
	<u>43,404,558</u>	<u>37,198,613</u>

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales contracts and credit terms are approved by the senior management and where considered necessary, advance payments are obtained from certain parties. Export sales to major customers are secured through letters of credit. The management has set a maximum credit period limit for each type of customers in order to reduce the credit risk.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debts. Management uses actual historical credit loss experience, credit risk characteristics and past days due, adjusted for forward-looking factors specific to the debtors and the economic environment to determine expected credit loss allowance.

Based on the past experience and deliberations management has no recognized expected credit losses in respect of trade debts as given in Note 6 to the financial statements.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash, marketable securities and the availability of funding through an adequate amount of committed credit facilities. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows:

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Contractual maturities of financial liabilities as at 31 March 2023:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
Non-derivative financial liabilities:						
Trade and other payables	5,662,913	5,662,913	5,662,913	-	-	-
	<u>5,662,913</u>	<u>5,662,913</u>	<u>5,662,913</u>	-	-	-

Contractual maturities of financial liabilities as at 31 March 2022:

Trade and other payables	3,910,817	3,910,817	3,910,817	-	-	-
Short term borrowings	14,503,539	14,503,539	14,503,539	-	-	-
	<u>18,414,356</u>	<u>18,414,356</u>	<u>18,414,356</u>	-	-	-

22.1 Financial instruments by categories

	2023		2022		Total
	At fair value through profit or loss	At amortized cost	At fair value through profit or loss	At amortized cost	

As at 31 March
Financial assets as per statement of financial position

Trade debts	-	15,993,378	-	25,533,051	25,533,051
Deposits	-	5,909,310	-	4,275,161	4,275,161
Other receivables	-	36,038	-	2,745	2,745
Cash and bank balances	-	21,614,490	-	7,745,242	7,745,242
		<u>43,553,196</u>		<u>37,556,199</u>	<u>37,556,199</u>

As at 31 March
Financial liabilities as per statement of financial position

Trade and other payables	5,662,913	5,662,913	3,910,817	3,910,817	3,910,817
Short term borrowings	5,662,913	5,662,913	14,503,539	14,503,539	14,503,539
		<u>5,662,913</u>	<u>18,414,356</u>	<u>18,414,356</u>	<u>18,414,356</u>

