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LT Foods Middle East DMCC

Financial Statements

March 31, 2023

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LT Foods Middle East DMCC

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March 31, 2023

LT Foods Middle East DMCC

Director's Report

Year Ended March 31, 2023

The Director hereby presents the annual report together with the audited financial statements of LT Foods Middle East DMCC ("the Company") for the year ended March 31, 2023.

Financial Results and Analysis	**Figures in AED**	
	2023	**2022**
Sales	98,920,502	82,987,997
Gross profit	14,533,455	19,048,120
Profit for the year	153,817	557,494
Net worth	4,372,308	4,218,491
Net current asset	15,858,077	7,729,282
Current ratio	1.81:1	1.38:1

Board of Directors

During the year, there were no changes in the composition of the Board of Directors of the Company.

Auditors

M/s Affiniax A A S Auditors, will retire at the conclusion of the meeting, have expressed their willingness to continue in office and are eligible for re-appointment.

Other Matters

At the end of this report the Board of Directors are not aware of any circumstances not otherwise dealt with in this report or the accounts, which would render any amount stated in the accounts misleading.

On behalf of the Board of Directors

Mr. Gursajan Arora
Director
Dubai
May 13, 2023

AFFINIAX A A S AUDITORS

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Independent Auditor's Report

The Shareholder of LT Foods Middle East DMCC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LT Foods Middle East DMCC ("the Company"), which comprise of the statement of financial position as at March 31, 2023 and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of LT Foods Middle East DMCC as at March 31, 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities.

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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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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 judgement and maintain professional skepticism throughout the audit. We also;

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks 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, misrepresentation or over ride of internal controls.

• Obtain an understanding of internal controls 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 Company's internal controls.

• 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 going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as 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 Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide the Management regarding with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the management, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters.

Affiniax A A S Auditors

Abeer Altaf Syed
Registration number : 1148
Dubai, United Arab Emirates
May 13, 2023

LT Foods Middle East DMCC

Statement of Comprehensive Income
Year Ended March 31, 2023

(Figures in AED)	Note	2023	2022
Sales	5	98,920,502	82,987,997
Cost of sales	6	(84,387,047)	(63,939,877)
Gross profit		**14,533,455**	**19,048,120**
Other income	7	2,532,214	27,015
Selling, general and administration expenses	8	(15,108,347)	(16,560,563)
Amortisation	14	(1,424,493)	(1,424,492)
Depreciation	15	(172,044)	(326,106)
Finance costs	9	(206,968)	(206,480)
Profit for the year		**153,817**	**557,494**

LT Foods Middle East DMCC

Statement of Financial Position
As at March 31, 2023

(Figures in AED)	Note	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	10	216,452	2,299,615
Trade accounts receivable	11	25,642,685	19,507,660
Inventories	13	7,741,386	1,214,166
Other receivables and prepayments	12	1,845,915	4,829,730
Total Current Assets		35,446,438	27,851,171
Non-Current Assets			
Intangible assets	14	437,601	1,862,094
Property, plant and equipment	15	2,118,710	1,218,253
Total Non-Current Assets		2,556,311	3,080,347
Total Assets		**38,002,749**	**30,931,518**
LIABILITIES AND EQUITY			
Current Liabilities			
Trade accounts and other payable	16	19,466,622	19,913,316
Term loans	17	121,739	208,573
Total Current Liabilities		19,588,361	20,121,889
Non-Current Liabilities			
Term loans	17	1,081,632	1,126,889
Employees' end of service benefits	18	360,443	261,450
Total Non-Current Liabilities		1,442,075	1,388,339
Equity			
Share capital	19	1,000,000	1,000,000
Retained earnings		3,372,308	3,218,491
Shareholder's account		12,600,005	5,202,799
Total Equity Attributable to the Shareholder		16,972,313	9,421,290
Total Liabilities and Equity		**38,002,749**	**30,931,518**

These financial statements were approved by the Board of Directors on May 13, 2023 and signed on their behalf by:

Mr. Gursajan Arora
Director

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

AFFINIAX A A S AUDITORS

LT Foods Middle East DMCC

Statement of Changes in Equity
Year Ended March 31, 2023

(Figures in AED)	Share Capital	Retained Earnings	Shareholder's Account	Total
As at April 01, 2021	1,000,000	2,660,997	5,087,420	8,748,417
Profit for the year	Nil	557,494	Nil	557,494
Net movements during the year	Nil	Nil	115,379	115,379
As at March 31, 2022	**1,000,000**	**3,218,491**	**5,202,799**	**9,421,290**
Profit for the year	Nil	153,817	Nil	153,817
Net movements during the year	Nil	Nil	7,397,206	7,397,206
As at March 31, 2023	**1,000,000**	**3,372,308**	**12,600,005**	**16,972,313**

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

LT Foods Middle East DMCC

Statement of Cash Flows
Year Ended March 31, 2023

(Figures in AED)	2023	2022
Cash Flow from Operating Activities		
Profit for the year	153,817	557,494
Adjustments for:		
Depreciation of property, plant and equipment	172,044	326,106
Amortisation of intangible assets	1,424,493	1,424,493
Profit on disposal of property, plant and equipment	(2,532,214)	(11,548)
Provision for employees' end of services benefits	98,993	41,884
Provision for doubtful debts	303,404	Nil
Changes in operating assets and liabilities		
Decrease / (Increase) in trade accounts, other receivable and prepayments	(3,454,614)	2,920,506
Increase in inventories	(6,527,220)	(1,214,166)
Decrease in trade accounts and other payable	(446,694)	(1,571,900)
Payment of employees' end of services benefits	Nil	(25,263)
Net cash (used in) / generated from operating activities	(10,807,991)	2,447,606
Cash Flow from Investing Activities		
Purchase of property, plant and equipment	(1,940,287)	(277,508)
Proceeds from disposal of property, plant and equipment	3,400,000	11,548
Net cash generated from / (used in) investing activities	1,459,713	(265,960)
Cash Flow from Financing Activities		
Term loans	(132,091)	(32,527)
Shareholder's account	7,397,206	115,379
Net cash generated from financing activities	7,265,115	82,852
Net change in cash and cash equivalents	(2,083,163)	2,264,498
Cash and cash equivalents at beginning of the year	2,299,615	35,117
Cash and cash equivalents at end of the year	**216,452**	**2,299,615**

1 Legal Status, Shareholders, Management and Business Activity

LT Foods Middle East DMCC ("the Company") is a Free Zone Company with Limited Liability formed in accordance with the laws, rules and implementing regulations of Dubai Multi Commodities Centre Authority and registered under trading license number DMCC-33118 in the Emirate of Dubai.

The registered address of the Company is Unit No. 706, Mazaya Business Avenue, BB2, Plot No: JLTE-PH2-BB2, Jumeirah Lakes Towers, Dubai, United Arab Emirates.

The shareholder of the Company is:

Name of the Shareholder	Number of Shares	Percentage	Value of Shares (AED)
M/s. Sona Global Limited	1,000	100%	1,000,000

The Company is managed by its Director, Mr. Gursajan Arora.

The Company is licensed to trade in foodstuff and beverage, agricultural commodities, grains cereals and legumes.

2 Basis of Preparation of Financial Statements

These financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards for Small and Medium-sized Entities issued by International Accounting Standards Board. They are presented in Arab Emirate Dirhams, currency unit of United Arab Emirates. The presentation of financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities requires the determination and consistent application of accounting policies to transactions and events. Significant accounting policies, adopted and applied consistently in dealing with items that are considered material in relation to these financial statements, are set below.

The financial statements have been prepared under the historical cost convention basis.

The preparation of financial statements in conformity with International Financial Reporting Standards for Small and Medium-sized Entities requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and reasonable under the circumstances.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Judgements made by the management in the application of accounting policies that have the most significant effect on the amounts recognised in the financial statements, and estimates that have a significant risk of causing a material adjustment are the estimation of the carrying amounts of assets and liabilities within the next financial year are as explained in Note 3.

3 Summary of Significant Accounting Policies

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and commission in the ordinary course of the Company's activities. Revenue is shown net of sales returns and discounts.

Revenue is recognized by the Company when it can be reliably measured, probable future economic benefits are passed to the entity and the specific criteria has been met for the Company activities.

Sale of goods is recognised upon the issue of bill of lading from the supplier.

Interest income is recognised on effective interest method.

Commission is recognised on completion of services as per the terms and conditions agreed upon with the client.

Property, Plant and Equipment

Property, plant and equipment, is stated at historical costs less accumulated depreciation and any accumulated impairment losses. Historical costs includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Management.

The cost of replacing or addition to an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

Depreciation is charged to write off the cost of assets using the straight line method as follows:

Buildings	12 years
Motor vehicles	4 years
Furniture and fixtures	4 years
Office equipments	4 years

The useful lives and depreciation method are reviewed periodically to ensure that the year and method of depreciation are consistent with the pattern of economic benefits expected to flow to the Company through the use of items of property, plant and equipment.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as profit or loss in the statement of comprehensive income.

Capital work-in-progress, includes all direct costs incurred or attributable to the asset under construction and is not depreciated until it is transferred and capitalised at the time when it is brought into use.

AFFINIAX A A S AUDITORS

3 Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are valued at lower of cost and net realisable value. Cost is arrived at using the first in first out (FIFO) method. Cost comprises invoice value plus freight cost. Net realizable value is based on estimated selling price less estimated selling expenses.

Intangible Assets

Intangible assets are shown at historical cost less accumulated amortisation and any accumulated impairment losses if any. Intangible assets comprise of trademarks acquired and are amortised over its useful life of 7 years.

Financial Instruments

Financial assets are recognised when the Company becomes a party to the contractual provision of the financial instrument. Financial assets are derecognised when the contractual rights to receive the cash flows expire or substantially all the risks and rewards of ownership have been transferred. These are stated at cost less impairment losses. These are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. The Company derecognises financial liabilities when they are discharged, cancelled or expired. These are stated at cost, or where the impact is material at amortised cost using the effective interest method. These are included in current liabilities, except for maturities greater than 12 months after the balance sheet which are classified as non-current liabilities.

Financial instruments comprise of trade accounts and other receivable, cash in hand and at bank, trade accounts and other payable, and term loans.

Trade Accounts and Other Receivable

Receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

The Management undertakes a periodic review of amounts recoverable from trade and other receivable, and determines recoverability based on various factors such as ageing of receivable, payment history, collateral available and other knowledge about the receivable.

Provision for bad and doubtful debts represents estimates of ultimate unrealizable debts. The estimates are judgemental and are based on case based evaluation by the Management.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand and at banks accounts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade Accounts and Other Payable

Trade and other payable are stated at nominal amounts payable for goods or services rendered.

AFFINIAX A A S AUDITORS

3 Summary of Significant Accounting Policies (Continued)

Borrowings

Borrowings are recognised at the transaction price, including transaction costs. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

Employees' End of Service Benefits

Provision is made for the amounts payable under the UAE labour law applicable to the employees and is based on current basic remuneration and cumulative year of service at the balance sheet date.

Provision is made on the assumption that all employees were to leave as of the balance sheet date since this provides, in management's opinion, a reasonable estimate of the present value of terminal benefits.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the year of the lease.

Provisions

Provisions are recognised when the Company has a present obligation as a result of past event and it is probable that the outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the amount expected to be required to settle the obligation and the risk specific to the obligation.

Taxes

Value Added Tax:

Expenses and assets are recognized net of the amount of input tax, except:

When the input tax is incurred on the purchase of asset, goods or expense which is non recoverable from the Federal Tax Authority, in which case, the input tax is recognized as part of the cost of acquisition of the asset, goods or expense, as applicable.

The net amount of value added tax recoverable from or payable to the Federal Tax Authority is included as part of receivables or payables in the statement of financial position, as applicable.

Input VAT and Output VAT:

Input VAT is recognized when the goods or services are supplied to the Company and the tax on which is paid/due to be paid by the Company to the supplier.

Output VAT is recognized in respect of taxable supply of goods/services rendered by the Company on which tax is charged and due to be paid to the Federal Tax Authority.

AFFINIAX A A S AUDITORS

3 Summary of Significant Accounting Policies (Continued)

Foreign Currencies Translations

The financial statements are presented in Arab Emirates Dirhams, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

4 Significant Judgments in Applying the Accounting Policies and Key Source of Estimation Uncertainty

In the process of applying the Company's accounting policies, which are described in Note 3 to the financial statements, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements.

Contingencies

Contingent assets and liabilities are not recognized in the financial statements, but are disclosed unless the possibility of an inflow or outflow respectively of resources embodying economic benefits is remote.

Employee's End of Service Benefits

Employee's end of service benefits is grouped as a non-current liability on the judgment that the employees of the Company will be continued in the future periods irrespective of their visa expiry dates and other employment terms and conditions.

Impairment of Financial Assets at Fair Value

Objective evidence that a financial asset or group of assets is impaired includes observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

AFFINIAX A A S AUDITORS

4 Significant Judgments in Applying the Accounting Policies and Key Source of Estimation Uncertainty (Continued)

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

• Useful lives of tangible and intangible assets

The management periodically reviews estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

• Impairment testing of tangible and intangible assets

The determination of a possible impairment of tangible and intangible assets involves the estimation of future cash flows that are likely to occur from those intangible assets and assessing whether future cash flows will adequately recover the carrying cost of the intangible asset. To the extent that it is feasible, impairment is determined individually for each item and where this is not feasible, a collective evaluation is performed. As a consequence, such an evaluation requires significant judgment and it materially affects the carrying amount of intangible assets at the reporting date.

(Figures in AED)	2023	2022
5 Sales		
Rice	98,920,502	82,987,997
	98,920,502	82,987,997
6 Cost of Sales		
Purchase of rice	90,914,267	64,538,701
Changes in inventories	(6,527,220)	(598,824)
	84,387,047	63,939,877
7 Other Income		
Profit on disposal of property, plant and equipment	2,532,214	11,548
Balances written back	Nil	15,467
	2,532,214	27,015

(Figures in AED)	2023	2022
8 Selling, General and Administration Expenses		
Employees' cost	5,286,563	2,872,940
Sales promotion expense	3,668,517	7,231,829
Other sales and marketing expense	2,248,320	3,970,446
Travelling expense	1,114,936	304,971
Directors' remuneration	720,000	720,000
Legal and professional	614,991	58,620
Office expenses	578,011	366,918
Rent	428,799	192,000
Provision for bad and doubtful debts	303,404	Nil
Storage charges	52,236	142,458
Detention charges	92,570	693,116
Balances written off	Nil	7,265
	15,108,347	16,560,563
9 Finance Costs		
Bank charges	113,896	118,691
Interest on bank loan	88,588	77,925
Interest on vehicle loan	4,438	4,607
Exchange loss	46	5,257
	206,968	206,480
10 Cash and Cash Equivalents		
Cash in hand	9,689	8,081
Balance in local currency accounts	196,491	1,869,992
Balance in foreign currency accounts	10,272	421,542
	216,452	2,299,615
11 Trade Accounts Receivable		
Outstanding for less than 6 months	23,888,461	19,198,392
Outstanding for more than 6 months	2,057,628	309,268
	25,946,089	19,507,660
Less : Provision for bad and doubtful debts	(303,404)	Nil
	25,642,685	19,507,660
Movement in provision for bad and doubtful debts is as below:		
Provision during the year	303,404	Nil
Balance at the end for the year	303,404	Nil

(Figures in AED)	2023	2022
12 Other Receivables and Prepayments		
Advance to supplier	1,399,472	1,945,745
Prepaid expenses	291,183	166,146
Staff advances	95,682	1,314,529
Advance to Director	31,421	Nil
Deposits	20,450	30,157
Advance to Associate	7,707	Nil
Advances to third parties	Nil	1,373,153
	1,845,915	4,829,730
13 Inventories		
Rice	5,546,823	598,824
Goods in transit	2,194,563	615,342
	7,741,386	1,214,166
14 Intangible Assets		
Intellectual Property Rights		
Original Cost :		
Balance at the beginning of the year	9,971,945	9,971,945
Accumulated Amortisation :		
Balance at the beginning of the year	8,109,851	6,685,358
Charge for the year	1,424,493	1,424,493
Balance at the end of the year	9,534,344	8,109,851
Carrying Amount :		
Balance at the end of the year	437,601	1,862,094

The above intellectual property rights comprise of trademarks acquired from third party. The Company has obtained the right to the intellectual property in accordance to the Brand Assignment Agreement dated July 21, 2016.

AFFINIAX A A S AUDITORS

15 Property, Plant and Equipment

	Buildings	Motor Vehicles	Furniture and Fixtures	Office Equipments	Capital Work In Progress	Total
Cost :						
As at April 01, 2022	2,292,694	366,683	806,860	275,213	Nil	3,741,450
Additions during the year	Nil	Nil	Nil	82,543	1,857,744	1,940,287
Disposal during the year	(2,292,694)	Nil	(43,427)	Nil	Nil	(2,336,121)
As at March 31, 2023	Nil	366,683	763,433	357,756	1,857,744	3,345,616
Accumulated Depreciation :						
As at April 01, 2022	1,354,128	142,686	789,937	236,446	Nil	2,523,197
Charge for the year	70,780	72,248	6,536	22,480	Nil	172,044
Disposal during the year	(1,424,908)	Nil	(43,427)	Nil	Nil	(1,468,335)
As at March 31, 2023	Nil	214,934	753,046	258,926	Nil	1,226,906
Net Block :						
As at March 31, 2023	Nil	151,749	10,387	98,830	1,857,744	2,118,710
As at March 31, 2022	938,566	223,997	16,923	38,767	Nil	1,218,253

The capital work in progress relates to the furniture fit out and installation of furniture and fixtures which is expected to be completed by June 2023.

AFFINIAX A A S AUDITORS

(Figures in AED)

16 Trade Accounts and Other Payable

(Figures in AED)	2023	2022
Trade accounts payable	8,552,827	32,466
Provision for marketing expense	8,660,132	9,489,624
Accrued expenses	1,007,436	1,811,473
Leave salary and air fare	464,983	369,515
VAT payable	326,047	116,746
Advance from customers	399,613	198,969
Due to employees	55,584	36,054
Advance from associate	Nil	7,850,924
Accrued interest on term loan	Nil	7,545
	19,466,622	19,913,316

17 Term loans

	2023	2022
Bank loans	1,134,572	1,231,302
Vehicle loan	68,799	104,160
	1,203,371	1,335,462
The above loans are classified as under :		
Within one year	121,739	208,573
More than one year	1,081,632	1,126,889

The bank loan is jointly owned by the Company and its shareholder M/s Sona Global Limited.

Bank loan is secured against the following:

i) Assignment of rights, title and interest in the purchase agreement i.e. Lien on property no. 706 and 707, BB2 Mazaya Business Avenue, Jumeirah Lakes Towers, Dubai registered under name of M/s Sona Global Limited.

ii) Two undated cheques to cover three installments of principal and interest, one undated cheque for the total amount of loan plus interest and one undated signed cheque in favour of the Government of Dubai land department to cover the fee to register the mortgage.

iii) Power of attorney is in the favour of bank duly notarized by the Dubai Public Notary.

18 Employees' End of Service Benefits

	2023	2022
Balance at the beginning of the year	261,450	244,829
Provision for the year	98,993	41,884
Paid during the year	Nil	(25,263)
Balance at the end of the year	360,443	261,450

(Figures in AED)	2023	2022

19 Share Capital

	2023	2022
1,000 shares of AED 1,000 each	1,000,000	1,000,000
	1,000,000	1,000,000

20 Transactions with Related Parties

The Company, in the normal course of business carries out transactions with parties that fall within the definition of related party contained in the International Financial Reporting Standards for Small and Medium-sized Entities. Significant transactions with related parties are as under.

	2023	2022
Purchases from Ultimate Parent Company	90,937,803	62,764,934
Purchases from Associate	419,806	1,730,132
Rent paid to Shareholder	192,000	192,000
Directors' remuneration	720,000	720,000
Balances written back from associate	Nil	15,467
Net funding from shareholder	7,397,206	115,379
Repayment of the advances received from associate	7,850,924	Nil

Related party balances as at the year end are classified as under:

Related Party	**Classification**	2023	2022
Ultimate Parent Company	Advance to supplier (Note 12)	Nil	1,945,745
	Trade accounts payable (Note 16)	8,535,819	Nil
Associate	Trade accounts payable (Note 16)	17,008	32,466
	Advance from Associate (Note 16)	Nil	7,850,924
	Advance to Associate (Note 12)	7,707	Nil
Shareholder	Shareholder's account (Equity)	12,600,005	5,202,799
Director	Advance to Director (Note 12)	31,421	Nil

21 Contingent Liabilities

	2023	2022
Capital commitments	42,000	Nil
	42,000	Nil

Note: The capital commitment represents the remaining cost of furniture fitouts and installation of furniture and fixtures which is expected to be completed by June 2023.

Except for the above and ongoing commitments in the normal course of business against which no loss is expected, there are no other known contingent liabilities existing at the balance sheet date.

22 Financial Risk Management

The Company's activities expose it to a variety of financial risks: 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 minimise potential adverse effects on the Company's financial performance.

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(Figures in AED)	2023	2022

22 Financial Risk Management (Continued)

(a) 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. Credit risk of the Company arises from cash with banks, trade debts, investments, loans and advances and other receivables.

The maximum exposure to credit risk at the end of the reporting period

Accounts receivables	25,946,089	19,507,660
Other receivable	1,554,732	4,663,584
Cash at bank	206,763	2,291,534
	27,707,584	26,462,778

(b) Interest Rate Risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate due to change in market interest rates.

At the statement of financial position date, the interest rate profile of the Company's significant interest bearing financial instruments was:

Term loan	1,134,572	1,231,302
Vehicle loan	68,799	104,160
Net exposure	1,203,371	1,335,462

(c) Currency Risk

The Company's substantial assets and liabilities are denominated in Arab Emirates Dirhams or in United States Dollars to which the Arab Emirate Dirham is fixed, hence there is no material exchange rate risks.

At the balance sheet date, since there was no material exposure to currencies other than United States Dollars, net profits for the year is not materially sensitive to currency risks.

(d) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk may results from the inability to sell a financial assets quickly at close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available, to meet any future commitments. Exposure to liquidity risk at the end of the reporting period is as below:

Trade accounts and other payable	19,067,009	19,714,347
	19,067,009	19,714,347

23 Subsequent Events After The Reporting Date

There is no significant events occurred after the balance sheet date, which require disclosures in the financial statements.

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24 Rounding Off of Figures

All figures have been rounded off to the nearest UAE Dirhams.

These financial statements were approved by the Board of Directors on May 13, 2023 and signed on their behalf by:

Mr. Gursajan Arora
Director

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