Ritu Kumar ME (FZE)

Financial Statements
2022-23

Independent Auditor's Report

To the shareholder of

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Opinion:

We have audited the financial statements of Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC)) (the Establishment), which comprise the statement of financial position as at March 31, 2023, and the statement of comprehensive income, statement of changes in equity & shareholder's funds and statement of cash flows for the year then ended, and notes & schedules 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 (the Establishment) as at March 31, 2023, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) applied on a consistent basis.

Basis for opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Establishment in accordance with the ethical requirements that are relevant to our audit of the financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters:

Without modifying our opinion we draw your attention to the following:

- The Establishment’s total liabilities are AED 771,458/- against negative equity & shareholder's funds indicating high leverage. Further, Establishment has accumulated losses of AED 5,259,984/- which exceeds its share capital as at the reporting date. The current liabilities exceed current assets by AED 456,701/-, thus indicating liquidity crunch. The Establishment's future operations are dependent on it generating sufficient revenue, earning operating profits, having positive cash flows & adequate infusion of funds by the shareholder. The management has decided, resolved & assured that the Establishment would continue its operations & shareholder has confirmed that necessary financial assistance will be provided to the Establishment. Hence the financial statements have been prepared on a going concern basis.

Responsibilities of management and those charged with governance 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 (IFRS for SMEs), implementing regulations of Sharjah Airport International Free Zone Authority, issued pursuant to Emiri decree no. 2 of 1995 and the applicable provisions of the Memorandum and Articles of Association of the Establishment 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 Establishment’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Establishment’s financial reporting process.

Independent Auditor's Report (continued)

To the shareholder of

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

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 a part of our audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Establishment's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Establishment's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Establishment to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements:
Further, we report that:

- We have obtained all the information we considered necessary for the purpose of our audit.
- The financial statements have been prepared and comply, in all material respects, with the implementing regulations of Sharjah Airport International Free Zone Authority, issued pursuant to Emiri decree no. 2 of 1995 & the applicable provisions of the Memorandum & Articles of Association of the Establishment.

Independent Auditor's Report (continued)

To the shareholder of

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

- The Establishment has maintained proper books of accounts and the financial statements are in agreement therewith.
- The financial information included in the Manager's Report is consistent with the books of accounts and records of the Establishment.
- Note no. 5 to the financial statements discloses the amounts invested by the Establishment in associate during the financial year ended March 31, 2023.
- Note no. 4.1 to the financial statements discloses material related party transactions, and the terms under which they were conducted.
- Schedule no. 2 to the financial statements discloses the amount invested by the shareholder over and above its contribution to the share capital.
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Establishment has contravened, during the financial year ended March 31, 2023, any of the implementing regulations of Sharjah Airport International Free Zone Authority, issued pursuant to Emiri decree no. 2 of 1995 and the applicable provisions of the Memorandum and Articles of Association of the Establishment which would materially affect its activities or its financial position as at March 31, 2023.

Kothari Vipul R.
Ministry of Economy Registration No. 159
Kothari Auditors & Accountants

April 18, 2023
Sharjah, United Arab Emirates

Ref: S/RP-3600/2023

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Statement of Financial Position as at March 31, 2023

Particulars	Note no.	2022-23 AED	2021-22 AED
Assets:			
Non-current assets			
Property, plant & equipment	Sch 1	19,726	24,929
Investment in associate	5	0	0
Amount due from related party	6	0	0
		19,726	24,929
Current assets			
Inventories	7	160,720	845,078
Deposits, prepayments & advances	8	24,199	48,924
Accounts receivable	9	84,620	70,363
Cash and bank balances	10	45,218	38,959
		314,757	1,003,324
Total assets employed		**334,483**	**1,028,253**
Equity, shareholder's funds and liabilities:			
Equity & shareholder's funds			
Share capital	11	150,000	150,000
Reserves & surplus	12	(5,259,984)	(4,945,309)
Equity		(5,109,984)	(4,795,309)
Shareholder's current account	Sch 2	4,673,009	5,052,235
Equity & shareholder's funds		(436,975)	256,926
Current liabilities			
Accounts payable	13	617,385	597,594
Provisions, accruals and other liabilities	14	3,000	10,400
Amount due to related party	15	151,073	163,333
		771,458	771,327
Total equity, shareholder's funds and liabilities		**334,483**	**1,028,253**

The attached note nos. 1 - 22 and schedule nos. 1 & 2 form an integral part of these financial statements.

Auditor's report is on page nos. 2 - 4. The board of directors have approved & authorized the manager for the issuance of these financial statements on April 18, 2023.

For Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

Bikash Dutta
Manager

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Statement of Comprehensive Income for the year ended March 31, 2023

Particulars	Note no.	2022-23 AED	2021-22 AED
Revenue		421,277	923,004
Direct costs	16	(860,292)	(532,109)
Gross (loss)/profit		(439,015)	390,895
Other income	17	413,689	153,214
Selling & distribution costs	18	(97,892)	(287,170)
Administrative costs	19	(186,207)	(212,662)
Exceptional items	20	(5,250)	(547,089)
Net (loss)for the year		**(314,675)**	**(502,812)**

The attached note nos. 1 - 22 and schedule nos. 1 & 2 form an integral part of these financial statements.

Auditor's report is on page nos. 2- 4. The board of directors have approved & authorized the manager for the issuance of these financial statements on April 18, 2023.

For Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

Bikash Dutta
Manager

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Statement of Changes in Equity and Shareholder's Funds for the year ended March 31, 2023

AED

Particulars	Share capital	Statutory reserve	Accumulated (losses)	Shareholder's current account	Total
Balance at March 31, 2021	150,000	34,002	(4,476,499)	4,718,191	425,694
Net (loss) for the year	-	-	(502,812)	-	(502,812)
Transfer to statutory reserve	-	(34,002)	34,002	-	-
Other net movements	-	-	-	334,044	334,044
Balance at March 31, 2022	**150,000**	**-**	**(4,945,309)**	**5,052,235**	**256,926**
Net (loss) for the year	-	-	(314,675)	-	(314,675)
Other net movements	-	-	-	(379,226)	(379,226)
Balance at March 31, 2023	**150,000**	**-**	**(5,259,984)**	**4,673,009**	**(436,975)**

The attached note nos. 1 - 22 and schedule nos. 1 & 2 form an integral part of these financial statements.
Auditor's report is on page nos. 2 - 4.

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Statement of Cash Flows for the year ended March 31, 2023

Particulars	Note no.	2022-23 AED	2021-22 AED
Cash flows from operating activities			
Net (loss) for the year		(314,675)	(502,812)
Adjustments for:			
Depreciation on property, plant & equipment		5,203	5,203
Impairment of inventories		494,570	-
Operating cash flows before changes in working capital		**185,098**	**(497,609)**
Working capital changes:			
Movement in inventories		189,788	216,005
Movement in accounts receivable		(14,257)	(6,313)
Movement in deposits, prepayments & advances		24,725	907
Movement in accounts payable		19,791	(191,703)
Movement in provisions, accruals & other liabilities		(7,400)	3,000
Net cash generated from/(used in) operating activities		**397,745**	**(475,713)**
Cash flows from financing activities:			
Movement in amount due to related party		(12,260)	(6,152)
Movement in shareholder's current account		(379,226)	334,044
Net cash (used in)/generated from financing activities		**(391,486)**	**327,892**
Net movement in cash and cash equivalents		6,259	(147,821)
Cash and cash equivalents at beginning of the year		38,959	186,780
Cash and cash equivalents at end of the year	10	**45,218**	**38,959**

The attached note nos. 1 - 22 and schedule nos. 1 & 2 form an integral part of these financial statements.
Auditor's report is on page nos. 2 - 4.

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Notes to the Financial Statements for the year ended March 31, 2023

1. Status and activity:

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC)) is incorporated and registered as a Free Zone Establishment with Limited Liability with Sharjah Airport International Free Zone (SAIF Zone) in the emirate of Sharjah (U.A.E.) under commercial license no. 19881 and certificate of incorporation/registration no. 11272.

The shareholder of the Establishment as at reporting date & its interest on that date in the share capital of the Establishment was as follows:

Sr. No.	Shareholder	Legal status	Share	Amount AED	%
1.	M/s Reliance Ritu Kumar Private Limited (formerly known as Ritika Private Limited)	Indian company	100	150,000	100.00%
	Total		**100**	**150,000**	**100.00%**

M/s Reliance Ritu Kumar Private Limited (formerly known as Ritika Private Limited) is a Public Limited Company registered under CIN no. U51909WB1976PTC030647, under the Indian Companies Act of 1956 & its amendments thereafter. Its registered office is at 138 Beliaghata Road, Kolkata-700015, West Bengal, India.

The day to day operations of the Establishment are looked after by Mr. Bikash Dutta, who is appointed as the manager of the Establishment.

The principal place of business is executive office P8-05-22, SAIF Zone, Sharjah (U.A.E.) and registered address of the Establishment is Post Box 124243, SAIF Zone, Sharjah (U.A.E.).

The Establishment is licensed to carry on the activity of trading in readymade garments and related accessories and during the year under review it was principally engaged in the same activities.

2. Basis of preparation:

2.1. Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs), issued by the International Accounting Standards Board (IASB).

2.2. Basis of measurement:

These financial statements have been prepared under the going concern assumption and historical cost convention.

The Establishment’s total liabilities are AED 771,458/- against negative equity & shareholder's funds indicating high leverage. Further, Establishment has accumulated losses of AED 5,259,984/- which exceeds its share capital as at the reporting date. The current liabilities exceed current assets by AED 456,701/-, thus indicating liquidity crunch. The Establishment's future operations are dependent on it generating sufficient revenue, earning operating profits, having positive cash flows & adequate infusion of funds by the shareholder.

The management has decided, resolved & assured that the Establishment would continue its operations & shareholder has confirmed that necessary financial assistance will be provided to the Establishment. Hence the financial statements have been prepared on a going concern basis.

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Notes to the Financial Statements for the year ended March 31, 2023 (continued)

2.3. Basis of accounting and coverage:

The Establishment follows the accrual basis of accounting except for statement of cash flows which is presented on cash basis. Under the accrual basis, the transactions and events are recognized as and when they occur and are recorded in the financial statements for the period to which they relate to.

The financial statements enclosed cover the period from April 01, 2022 to March 31, 2023. Previous year figures are for the period from April 01, 2021 to March 31, 2022 and have been regrouped where necessary.

2.4. Functional & presentation currency:

The financial statements are presented in United Arab Emirates Dirham (AED). The Establishment's functional currencies are United Arab Emirates Dirham (AED), United States Dollar (USD) & Indian Rupees (INR). All financial information presented in AED has been rounded off to the nearest U.A.E. Dirham.

2.5. Use of estimates & judgments:

The preparation of financial statements in conformity with IFRS for SMEs requires management to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

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 the estimate is revised and in any future period affected & same are mentioned under respective accounting policy note.

The following accounting estimates and management judgments which are material in nature, have been considered, in the preparation of financial statements.

- **Useful lives of property, plant & equipment:**
  Establishment’s management estimates the useful life of property, plant & equipment & residual value for calculating depreciation. It reviews the estimated life & residual value on annual basis & future depreciation expense would be adjusted where the management believes that useful life differs from the previous estimates.

- **Impairment of investment in associate:**
  Management assesses the recoverability of investment in associate on a regular basis & creates reserve for impairment as & when required.

- **Impairment of accounts receivable:**
  Accounts receivable are subjected to recoverability test on a periodical basis when collection of full amount is no longer probable. Accounts receivable balances which are individually significant, are verified for ageing, subsequent receipts & balance confirmations. Accounts receivable balances which are individually not material, are assessed collectively & estimated reserve for impairment of accounts receivable is created if same is outstanding for beyond normal credit terms & doubtful.

  Management estimates that reserve for impairment created against account receivable is sufficient to cover for doubtful losses if any.

- **Impairment of inventories:**
  Inventories are subjected to ageing & impairment test on a periodical basis by management on damaged, obsolete and slow moving inventories. These reviews require judgments and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Notes to the Financial Statements for the year ended March 31, 2023 (continued)

- **Impairment of amount due from related party:**
  Amount due from related party is subjected to recoverability test on a periodical basis when realization of full amount is no longer probable. Amount due from related party is verified for ageing, subsequent recoverability & balance confirmation & estimated reserve for impairment of amount due from related party is created if same is outstanding for beyond normal agreed terms & doubtful.

3. Summary of significant accounting policies:

The following accounting policies have been consistently applied by the management in preparation of the financial statements except where stated here under:

3.1. Current and non-current classification:

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period.
- 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 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.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Establishment classifies all other liabilities as non-current.

3.2. Property, plant and equipment:

Property, plant & equipment are carried at their cost of acquisition including any incidental expenses related to acquisition or installation, less accumulated depreciation and accumulated impairment loss. Depreciation has been provided on straight line method over the estimated useful lives, as determined by the management.

Property, plant & equipment are, at the reporting date, subject to impairment. Where any indication of impairment exists, the carrying amount is written down to its recoverable amount.

The management's estimate of useful life of various assets is as follows:

Furniture & equipment	6 - 7 years

A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in these financial statements. Management assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Notes to the Financial Statements for the year ended March 31, 2023 (continued)

Factors that are considered important which could trigger an impairment review include the following:
- significant changes in the technology and regulatory environments.
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

3.3. Investment in Associate:

An associate is an entity over which the Establishment has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies, generally accompanying a shareholding of between 20% and 50% of the voting rights which is neither a subsidiary nor a joint venture.

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Establishment's investments in its associate and joint venture are either accounted for using the equity method or is measured at fair value.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Establishment's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the Establishment's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Establishment's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Establishment recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Establishment and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Establishment's share of profit or loss of an associate and a joint venture is shown on the face of the statement of comprehensive income and represents profit or loss and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Establishment. When necessary, adjustments are made to bring the accounting policies in line with those of the Establishment. After application of the equity method, the Establishment determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Establishment determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Establishment calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss in the statement of comprehensive income.

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Notes to the Financial Statements for the year ended March 31, 2023 (continued)

Upon loss of significant influence over the associate or joint control over the joint venture, the Establishment measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in statement of comprehensive income.

Investment in associate represents amount invested in 147 fully paid-up equity shares of AED 1,000/- each for 49% ownership in share capital & by long term advances stated under current account of associate M/s Ritu Kumar Fashion L.L.C, Dubai (U.A.E.).

3.4. Inventories:

Inventories are carried at the lower of cost and net realizable value (estimated selling price less cost to complete and selling expenses). Cost includes aggregate of purchase price, including applicable cost to bring the inventory to the present condition, valued at 'first-in-first-out' method.

Any excess of carrying amount, over the net realizable value is charged immediately as impairment loss through statement of comprehensive income. Inventory items, which are slow moving or obsolete are assessed and reserve for impairment is created based on their ageing and saleability.

3.5. Financial instruments:

The Establishment recognizes a financial instrument (being a financial asset or financial liability) only when the Establishment becomes a part of the contractual provisions of the instrument.

Accounting policy relevant to each type of financial instrument is as follows:

a. Cash & cash equivalents:

Cash and cash equivalents for the purpose of cash flow statement comprises cash on hand & balance with bank in current account.

b. Accounts receivable:

Accounts receivable are amounts due from customers towards sale of goods in the ordinary course of business. Accounts receivable are recognized initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less reserve for impairment of accounts receivable. A reserve for impairment of accounts receivable is recognised when it is probable that the Establishment will not be able to collect all amounts due according to original terms of the accounts receivable.

c. Accounts payable:

Accounts payable represent obligations towards purchase of goods in the ordinary course of business. Same is free of interest & payable at the end of credit period granted by the suppliers. Accounts payable are recognized initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method.

d. Other financial assets:

Other financial assets are recognised initially at transaction value and subsequently measured at amortised cost using the effective interest method less impairment. However, all other financial assets have a value on realization in the ordinary course of the Establishment’s business, which is at least equal to the amount at which they are stated in the statement of financial position.

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Notes to the Financial Statements for the year ended March 31, 2023 (continued)

e. Other financial liabilities:

Other financial liabilities, including borrowings if any, are initially measured at transaction value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

A financial asset (or where applicable a part of a financial asset or a part of group of similar financial assets) is de-recognised either when:
- the rights to receive cash flows from the asset have expired or
- the Establishment retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Establishment has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Establishment has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Establishment's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Financial assets and financial liabilities are only offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Establishment intends to settle it on a net basis.

3.6. Impairment of non-financial assets:

At each reporting date, the Establishment reviews the carrying amounts of its non-financial 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 impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Establishment estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Ritu Kumar ME (FZE) (formerly known as Ritu Kumar ME (FZC))

SAIF Zone, Sharjah (U.A.E.)

Notes to the Financial Statements for the year ended March 31, 2023 (continued)

3.7. Impairment of financial assets:

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of asset (an incurred "loss event") and that loss event (events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be readily estimated.

If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows.

- For assets carried at fair value, impairment is the difference between the cost and fair value less any impairment loss previously recognised in the statement of comprehensive income.
- For assets carried at cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the current market rate of return for a similar asset.
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised.

3.8. Leases:

Leases are classified as finance leases when substantially all risks and rewards of ownership are transferred to the lessee. All other leases are operating leases.

Operating lease:

Lease payments under an operating lease are recognized as an expense in the statement of comprehensive income on a straight line basis over the lease term. Generally the Establishment’s operating leases are for annual duration and hence the Establishment is not exposed to any operating lease obligations.

3.9. Employee benefits:

Employee benefits if any, have been provided for in accordance with the contractual terms with the employees, but are however subject to minimum of U.A.E. Labour Law requirements.

Short-term employee benefits:

Short-term employee benefits if any, are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Annual leave and leave passage:

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Employee end of service benefits:

The provision for employee end of service benefits is based on the liability which would arise if the employment of all staff was terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

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3.10. Provisions & contingencies:

Provisions are recognized when the Establishment has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of economic benefits would be required to settle these obligations, and a reliable estimate of the same can be made.

Contingent liabilities are not recognized but are disclosed in the notes to financial statements. A disclosure of contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When likelihood of outflow is remote, no provision or disclosure is made.

3.11. Statutory reserve:

The Establishment was required under the provisions of the Memorandum & Articles of Association to appropriate 10% of net profit to statutory reserve, every year, until the balance in reserve account reaches 50% of paid-up share capital.

However, the balance in statutory reserve has been transferred to accumulated losses during the previous year, as the Establishment is no longer required to maintain the same subsequent to change in its legal status.

Statutory reserve was not a free reserve & was not available for distributions.

3.12. Value added tax:

As per the Federal Decree-Law No. (08) of 2017, effective from January 1, 2018, Value Added Tax (VAT), will be charged at 5% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the Establishment. The Establishment is required to file its VAT returns and compute the payable / receivable tax (which is output tax less input tax / input tax) for the allotted tax period(s) and deposit / claim refund the same within the prescribed due dates of filing VAT return. Net position of Value Added Tax as on reporting date is disclosed under other current assets / other current liabilities as the case may be.

3.13. Revenue recognition:

Revenue is recognized when it is probable that the economic benefit will flow to the Establishment and the revenue can be reliably measured. Revenue is measured at fair value of consideration received or receivable, excluding discounts, rebates & duties.

Revenue represents revenue from sale of goods & is recognized when the significant risk and reward of ownership have transferred to the buyer, the entity loses effective control and ownership over the goods, the economic benefit will flow to the Establishment and the revenue can be reliably measured. Payables written back represented amount no longer payable transferred to income based on management representation. Other income is recognised as and when due or received whichever is earlier.

3.14. Expenditure:

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. Expenses are presented in the statement of comprehensive income, classified according to the function of expense.

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3.15. Foreign currencies transactions:

Transactions in foreign currency, if any, are converted into functional currency at prevailing exchange rate on the date such transactions are entered into.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies which are stated at historical cost or fair value, are translated into functional currency at the exchange rates prevailing on the date of such transaction or the date of determination of fair value respectively.

Resultant loss or gain has been recognized in the statement of comprehensive income, in the year in which such assets are realized or liabilities are discharged.

4. Other significant disclosures:

4.1. Related party transactions:

The Establishment enters into transactions with another Company/person that fall within the definition of a related party as per the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs). The terms of trade with such related parties are based on commercial terms & conditions agreed upon with them by the management. Related parties with whom the Establishment had entered into transactions during the year under review comprise of the holding company/shareholder, associate company, manager & director as stated here under:

Name of the related parties	Control	Relation
M/s Reliance Ritu Kumar Private Limited, India (formerly known as Ritika Private Limited)	100% control	Holding company/Parent company
M/s Kalamkari Designs Private Limited, India	-	Group company
M/s Ritu Kumar Fashion L.L.C, Dubai (U.A.E.)	49% control	Associate company
Mr. Bikash Dutta	Manager	Key management personnel
Mr. Amrish Prakash Kumar	Director	Key management personnel

During the year under review, following transactions were entered into with related parties:

Nature of transactions	2022-23 AED	2021-22 AED
Purchases:		
- Purchases from parent company	149,184	238,360
- Purchases from associate company	0	43,986

Amount due from related party:

Amount due from related party is long-term in nature, does not have any fixed repayment schedule & is free of interest.

Amount due to related party:

Amount due to related party is free of interest.

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Shareholder's current account:
Balance in shareholder's current account represents amount invested by the shareholder over and above its contribution to share capital. Said balance is free of interest.

4.2. Financial, capital risk management & fair value information:

a. Credit, liquidity & market rate risk:

Credit risk:
Credit risk is the risk of financial loss to the Establishment if a customer or counter-party to a financial instrument fails to meet its contractual obligations.

The Establishment’s cash is placed with banks of repute.

The exposure to credit risk on accounts receivable and amount due from related party is monitored on an ongoing basis by the management and these are considered recoverable by the Establishment’s management. However 100% of accounts receivable were outstanding from one related party customer (previous year 100.00% of the accounts receivable from 2 customers including one related party) and hence the Establishment has concentration of accounts receivable and consequent risk to that extent.

Liquidity risk:
Liquidity risk is the risk that the Establishment will not be able to meet its financial obligations as and when it falls due. The Establishment’s assets are sufficient to cover its financial obligations.

The table below summarises the maturity profile of the Establishment’s financial liabilities on contractual undiscounted payments.

Financial liabilities as on March 31, 2023	Less than 6 months	6 months to 1 year	More than 1 year	Total AED
Accounts payable	617,385	-	-	617,385 Provisions,
accruals & other liabilities	3,000	-	-	3,000 Amount
due to related party	151,073	-	-	151,073
Total	771,458	-	-	771,458

Financial liabilities as on March 31, 2022	Less than 6 months	6 months to 1 year	More than 1 year	Total AED
Accounts payable	597,594	-	-	597,594 Provisions,
accruals & other liabilities	10,400	-	-	10,400 Amount
due to related party	163,333	-	-	163,333
Total	771,327	-	-	771,327

Market risk:
Market risk is the risk that changes in market prices, such as investment prices, interest rates and currency rates will affect the Establishment’s income of the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

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Interest rate risk:
Interest rate risk is the risk of variability in profit due to change in interest rates on interest bearing assets and interest bearing liabilities.

The Establishment has no interest bearing assets or liabilities & no consequent risk on that account.

Currency risk:
Currency risk faced by the Establishment is minimal as there are minimal foreign currency transactions. Most of the monetary assets and liabilities are denominated in United Arab Emirates Dirham (AED) or in United States Dollar (USD), which is pegged to AED.

However the Establishment is exposed to following foreign currency risk:

	2022-23	2021-22
Amount due to related party in INR	3,378,684	3,378,684
Shareholder current account in INR	107,888,208	107,472,308
Accounts payable to related party in INR	12,749,801	12,252,083

Any fluctuation in the above currency would affect the profitability & consequently the equity & shareholder's funds to that extent.

Other risks:

- **Revenue risk:**
  The Establishment has generated revenue from one customer which formed 65.97% of revenue (previous year generated revenue from one customer which formed 100.00% of revenue). Hence there is revenue risk to that extent.

- **Purchase/sourcing risk:**
  The Establishment has procured material from one related party supplier which form 100% of purchases (previous year 100.00% of purchases from two related party suppliers) and discontinuance of supply from them can have a material impact on the sourcing of goods and hence there is procurement risk to that extent.

4.3. Capital management:
The Establishment's policy is to maintain a strong capital base so as to maintain lender and creditor confidence and to sustain future development of the business. The Establishment is not subject to externally imposed capital restrictions.

The Establishment’s total liabilities are AED 771,458/- against negative equity & shareholder's funds indicating high leverage. Further, Establishment has accumulated losses of AED 5,259,984/- which exceeds its share capital as at the reporting date. Despite this management has reviewed its Establishment’s cash flows, revenue and cost structures and has concluded that liquid funds will be available and further, shareholder has confirmed that necessary financial assistance will be provided as and when required.

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4.4. Fair value information:

Fair value represents the amount at which an asset could be exchanged or a liability settled in an arm's length transaction, between willing & knowledgeable parties. In respect of all the Establishment's financial assets viz cash & bank balances, receivables, advances, deposits, accrued income and liabilities viz dues to banks, payables, accruals and other non-current liabilities, in the opinion of the management, the book value approximates to their carrying value.

5. Investment in associate:

	2022-23	2021-22
	AED	AED
Investment in associate (net)	0	0
	0	0

Investment in associate represents amount invested in 147 fully paid-up equity shares of AED 1,000/- each for 49% ownership in share capital & by long term advances stated under current account of associate M/s Ritu Kumar Fashion L.L.C, Dubai (U.A.E.).

During the previous years, the Establishment's share of loss in associate had been accounted for to the extent of investment in share capital of AED 147,000/- & investment in current account of AED 1,156,300/-. Hence, the net carrying amount of investment in associate is as stated above.

6. Amount due from related party:

	2022-23	2021-22
	AED	AED
Due from associate (net)	0	0
	0	0

a. Amount due from related party is long term in nature, does not have any fixed repayment schedule and is free of interest.

b. During the previous years, the management had decided to provide for impairment of the entire amount due from associate company, M/s Ritu Kumar Fashion L.L.C, Dubai (U.A.E.), in the form of loans & advances considering the associate company's substantial accumulated losses & negative equity & shareholders' funds.

7. Inventories:

	2022-23	2021-22
	AED	AED
Stock on hand	655,290	845,078
Reserve for impairment of inventories	(494,570)	-
	160,720	845,078

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Movement in reserve for impairment of inventories is as follows:

	2022-23	2021-22
	AED	AED
Balance at the beginning of the year	0	0
Provision for the year	494,570	0
Balance at the end of the year	494,570	0

Inventories comprising of ladies readymade garments, packing materials, decorations & related accessories have been verified by the management and obsolete stock, if any, has been fully provided for. Further, stock amounting to AED 95,275/- (previous year AED 145,052/-) has been sent on consignment basis & is lying with the customer.

8. Deposits, prepayments & advances:

	2022-23	2021-22
	AED	AED
Deposits	8,000	8,000
Prepayments	-	25,125
Other current assets	16,199	15,799
	24,199	48,924

Other current assets represent VAT refund based on computation of VAT returns as prepared by the management and subject to assessment & confirmation by the Federal Tax Authority.

9. Accounts receivable:

	2022-23	2021-22
	AED	AED
Trade receivable (net)	84,620	70,363
Trade receivable - related party (net)	0	0
	84,620	70,363

Age-wise analysis of accounts receivable is as follows:

Outstanding from due date of payment

Particulars	Not Due	<6 months	6 months-1 year	1-2 years	2-3 years	>3years	Total
Undisputed trade receivables considered good	-	84,620	-	-	-	-	84,620
Undisputed trade receivables credit impaired	-	-	-	-	-	149,113	149,113

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Notes to the Financial Statements for the year ended March 31, 2023 (continued)

Geographical analysis of accounts receivable is as follows:

	2022-23	2021-22
	AED	AED
Due from within U.A.E. (gross)	233,733	219,476
	233,733	219,476

The Establishment's exposure to credit risk relating to accounts receivable is disclosed in note 4.2.a.

10. Cash and bank balances/Cash & cash equivalents:

	2022-23	2021-22
	AED	AED
Cash on hand	7,306	2,050
Balance with bank in current account	37,912	36,909
	45,218	38,959

11. Share capital:

	2022-23	2021-22
	AED	AED
Share capital	150,000	150,000
	150,000	150,000

Share capital comprises of 100 fully paid up share of AED 150,000/- (previous year 100 fully paid up shares of AED 1,500/- each).

12. Reserves & surplus:

	2022-23	2021-22
	AED	AED
Accumulated (losses)	(5,259,984)	(4,945,309)
	(5,259,984)	(4,945,309)

13. Accounts payable:

	2022-23	2021-22
	AED	AED
Payable to holding company	611,085	592,294
Other payable	6,300	5,300
	617,385	597,594

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14. Provisions, accruals & other liabilities:

	2022-23	2021-22
	AED	AED
Accrued expenses	3,000	10,400
	3,000	10,400

15. Amount due to related party:

	2022-23	2021-22
	AED	AED
Due to parent company	151,073	163,333
	151,073	163,333

Amount due to related party is in the nature of expenses payable to related party & is free of interest.

16. Direct costs:

	2022-23	2021-22
	AED	AED
Inventories at the beginning of the year	845,078	1,061,083
Purchases	149,184	282,346
Clearing & forwarding expenses	26,750	33,758
Impairment of inventories	494,570	-
Inventories at the end of the year	(655,290)	(845,078)
	860,292	532,109

17. Other income:

	2022-23	2021-22
	AED	AED
Foreign exchange gain - (net)	413,689	153,214
	413,689	153,214

18. Selling & distribution costs:

	2022-23	2021-22
	AED	AED
Advertisement & business promotion expenses	9,377	36,418
Commission expenses	88,515	250,752
	97,892	287,170

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Notes to the Financial Statements for the year ended March 31, 2023 (continued)

19. Administrative costs:

	2022-23	2021-22
	AED	AED
Office rent	75,899	60,300
Communication expenses	0	14,850
Fees & charges	70,206	99,883
Utilities	3,618	5,862
Bank charges	4,345	4,352
Office & other expenses	26,936	22,212
Depreciation on property, plant and equipment	5,203	5,203
	186,207	212,662

20. Exceptional items:

	2022-23	2021-22
	AED	AED
Impairment of amount due from related party	5,250	547,089
	5,250	547,089

The management had decided to provide for the entire investment & amount due from associate company, M/s Ritu Kumar Fashion L.L.C, Dubai (U.A.E.), in the form of loans & advances considering the associate company's substantial accumulated losses & negative equity & shareholders' funds. Same has been recognised as exceptional items in the statement of comprehensive income & presented as above.

21. Contingent liabilities:

Except for the ongoing business commitments against which no loss is expected, there has been no known contingent liability or commitments, as on reporting date.

22. Events occurring after the reporting date:

There were no other significant events occurring after the reporting date that would materially affect the working or the financial statements of the Establishment.

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Schedules to the Financial Statements for the year ended March 31, 2023

Schedule 1 - Property, plant & equipment:

AED

Particulars	Furniture & equipment	Total
Cost:		
As at March 31, 2022	38,538	38,538
Additions	-	-
As at March 31, 2023	38,538	38,538
Accumulated depreciation:		
As at March 31, 2022	(13,609)	(13,609)
For the year	(5,203)	(5,203)
As at March 31, 2023	(18,812)	(18,812)
Net value- March 31, 2023	**19,726**	**19,726**
Net value- March 31, 2022	**24,929**	**24,929**

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Schedules to the Financial Statements for the year ended March 31, 2023

Schedule 2 - Shareholder's current account:

AED

Particulars	M/s Reliance Ritu Kumar Private Limited	Total
As at March 31, 2021	4,718,191	4,718,191
Net movements	334,044	334,044
As at March 31, 2022	**5,052,235**	**5,052,235**
Net movements	(379,226)	(379,226)
As at March 31, 2023	**4,673,009**	**4,673,009**

Balance in above account represents amount invested by the shareholder over and above its contribution to share capital. Said balance is free of interest.