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KRESTON MENON

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IOC MIDDLE EAST FZE

FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED 31 MARCH 2023

IOC MIDDLE EAST FZE

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Note	31.03.2023 AED	31.03.2022 AED
Assets			
Non-current assets			
Property and equipment	4	25,003	9,888
Investment in joint venture	5	202,709	-
Total non-current assets		227,712	9,888
Current assets			
Inventories	6	22,489	16,161
Trade and other receivables	7	4,112,699	4,517,100
Due from a related party	8	-	114,060
Other current financial assets	9	16,883,799	19,008,187
Cash and cash equivalents	10	1,210,416	452,284
Total current assets		22,229,403	24,107,792
Total assets		**22,457,115**	**24,117,680**
Shareholder's equity and liabilities			
Shareholder's equity			
Share capital	11	2,500,000	2,000,000
Retained earnings		15,652,432	17,971,097
Total shareholder's equity		18,152,432	19,971,097
Non-current liabilities			
Provision for employees' end of service benefits	12	139,987	98,790
Current liabilities			
Trade and other payables	13	3,942,973	4,047,793
Due to a related party	8	221,723	-
Total current liabilities		4,164,696	4,047,793
Total liabilities		4,304,683	4,146,583
Total shareholder's equity and liabilities		**22,457,115**	**24,117,680**

The accompanying notes on pages 9 to 27 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 4.

Authorised for issue by the Board of Directors on 26 April 2023.

For IOC Middle East FZE

Subramanya Venu Prabhakar Vadlamani

Managing Director

IOC MIDDLE EAST FZE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Note	31.03.2023 AED	31.03.2022 AED
Revenue	14	124,338,362	14,724,156
Cost of sales	15	(123,130,248)	(13,563,887)
Gross profit		1,208,114	1,160,269
Other income	16	673,790	613,846
Administrative expenses	17	(2,584,528)	(1,612,225)
Marketing and branding expenses	18	(322,864)	(618,985)
Loss from operating activities		(1,025,488)	(457,095)
Share of loss in joint venture	5	(715,291)	(22,020)
Finance cost	19	(77,886)	-
Loss for the year		**(1,818,665)**	**(479,115)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(1,818,665)**	**(479,115)**

The accompanying notes on pages 9 to 27 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 4.

KRESTON MENON CHARTERED ACCOUNTANTS

IOC MIDDLE EAST FZE

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Share capital AED	Retained earnings AED	Total AED
Balance as at 1 April 2021	2,000,000	18,450,212	20,450,212
Total comprehensive income for the year	-	(479,115)	(479,115)
Balance as at 31 March 2022	**2,000,000**	**17,971,097**	**19,971,097**
Total comprehensive income for the year	-	(1,818,665)	(1,818,665)
Addition during the year (Note 11)	500,000	(500,000)	-
Balance as at 31 March 2023	**2,500,000**	**15,652,432**	**18,152,432**

The accompanying notes on pages 9 to 27 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 4.

IOC MIDDLE EAST FZE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	31.03.2023 AED	31.03.2022 AED
Cash flows from operating activities		
Loss for the year	(1,818,665)	(479,115)
Adjustments for:		
Share of loss in joint venture	715,291	22,020
Finance cost	77,886	-
Provision for employees' end of service benefits	41,197	7,600
Depreciation on property and equipment	8,633	3,038
Interest income	(339,814)	(151,518)
Operating cash flows before changes in working capital	(1,315,472)	(597,975)
(Increase)/decrease in inventories	(6,328)	39,017
Decrease/(increase) in trade and other receivables	657,938	(2,156,583)
Decrease in due from a related party	114,060	447,046
Increase in due to a related party	221,723	-
(Decrease)/increase in trade and other payables	(104,820)	1,698,454
Cash used in operations	(432,899)	(570,041)
Finance cost paid	(77,886)	-
Net cash used in operating activities	(510,785)	(570,041)
Cash flows from investing activities		
Purchase of property and equipment	(23,748)	(5,150)
Decrease in other current financial assets	2,124,388	-
Interest income received	86,277	-
Investment in joint venture	(918,000)	-
Net cash generated from/(used in) investing activities	1,268,917	(5,150)
Cash flows from financing activities		
Short term loan availed	13,946,000	-
Short term loan repaid	(13,946,000)	-
Net cash used in financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	758,132	(575,191)
Cash and cash equivalents at beginning of year	452,284	1,027,475
Cash and cash equivalents at end of year (Note 10)	**1,210,416**	**452,284**

The accompanying notes on pages 9 to 27 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 4.

KRESTON MENON CHARTERED ACCOUNTANTS

1. GENERAL INFORMATION

IOC Middle East FZE ('the Establishment') was initially formed and registered with the Jebel Ali Free Zone Authority, Dubai, United Arab Emirates on 19 April 2006 as a Free Zone Establishment under the name IOCL Trading FZE, with limited liability, under license No. 6863 pursuant to Laws and Regulations applicable to free zone entities. On 11 June 2006, the name was amended to IOC Middle East FZE. The registered office of the Establishment is P.O. Box : 261338, Jebel Ali, Dubai, United Arab Emirates.

The principal activity of the Establishment is trading in crude oil, lubricants, grease, fuel, tar, asphalt, petrochemicals and refined oil products.

The immediate parent and ultimate holding company of the Establishment is Indian Oil Corporation Limited, India.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis. The financial statements are presented in Arab Emirates Dirhams (AED) and all values are rounded to the nearest Arab Emirates Dirham. The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Statement of compliance

The financial statements of the Establishment have been prepared in accordance with International Financial Reporting Standards.

2.3 Adoption of new and revised International Financial Reporting Standards

The following new and revised Standards including amendments thereto and Interpretations which became effective for the current reporting period have been adopted, wherever applicable. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the financial reporting for future transactions or arrangements.

Amendments to IFRS 3 - Reference to the Conceptual Framework

Amendment to IFRS 16 - COVID-19 - Related Rent Concessions

Amendments to IAS 16 - Proceeds before Intended Use

Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to IFRS Standards 2018–2020 - Amendments to IFRS 1, IFRS 9 and IAS 41

The following Standards, amendments thereto and interpretations have been issued prior to 31 March 2023 but have not been applied in these financial statements as their effective dates of adoption are for future periods. It is anticipated that their adoption in the relevant accounting periods will have impact only on disclosures within the financial statements.

IFRS 17: Insurance Contracts - 1 January 2023

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Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Date to be determined

Amendment to IFRS 16 - Lease Liability in a Sale and Leaseback- 1 January 2024

Amendments to IAS 1- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - 1 January 2024

Amendments to IAS 1 - Disclosure of Accounting Policies - 1 January 2023

Amendments to IAS 8 - Definition of Accounting Estimates - 1 January 2023

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - 1 January 2023

2.4 Foreign currencies

(a) Functional and presentation currency

The financial statements are prepared and the items included in the financial statements are measured using the currency of the primary economic environment in which the Establishment operates ('the functional currency'). The financial statements are presented in U.A.E. Dirhams, which is the Establishment's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of outstanding amounts of such transactions and from the re-translation of monetary assets and liabilities denominated in foreign currencies at each reporting date are recognised in the profit or loss. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.5 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and identified impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items including installation costs. 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 item will flow to the Establishment and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss during the reporting period in which they are incurred.

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

KRESTON MENON CHARTERED ACCOUNTANTS

	Years
Furniture & fixtures	4
Office equipment	4

The assets' residual values and useful lives are reviewed at the end of the reporting period, with the effect of any changes in estimates adjusted on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gains or losses arising on the disposal or retirement of an item of property and equipment is determined by comparing the disposal proceeds with the carrying amount of the asset and is recognised in the profit or loss.

2.6 Investment in joint venture

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

The investment in joint venture is accounted for at cost less impairment losses, if any. Subsequently the results and assets and liabilities of joint venture is incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is recognised initially in the statement of financial position at cost and adjusted thereafter to recognise the Establishment's share of the profit or loss and other comprehensive income of the joint venture.

When the Establishment's share of losses of a joint venture exceeds the Establishment's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Establishment's net investment in the joint venture), the Establishment discontinues recognising its share of further losses.

2.7 Leases

The Establishment as a lessee

The Establishment assesses whether a contract is or contains a lease, at inception of the contract. The Establishment recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Establishment recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

2.8 Impairment of tangible assets

At the end of each reporting period, the Establishment 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 Establishment estimates the recoverable amount of the cash-generating unit to which the asset belongs.

KRESTON MENON CHARTERED ACCOUNTANTS *

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

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 immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. 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 immediately in the 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.

2.9 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventory is determined on weighted average basis and includes expenditure incurred in acquiring the inventory and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of marketing and selling expenses.

2.10 Financial instruments

Financial assets and financial liabilities are recognised when the Establishment becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) are initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Financial assets

A financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; fair value through other comprehensive income ("FVTOCI") – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

KRESTON MENON CHARTERED ACCOUNTANTS

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

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method and is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss.

The Establishment derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities

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

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

2.11 Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model which requires considerable judgement in selecting the inputs to the impairment calculation, based on the Establishment's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. IFRS 9 requires the Establishment to record an allowance for ECLs for all financial assets at amortised cost, debt investments at FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Establishment has four types of financial assets that are subject to IFRS 9's expected credit loss model:

- Trade and other receivables (excluding prepayments and advance to suppliers),
- Due from a related party,
- Other current financial assets, and
- Cash and cash equivalents.

While the above financial assets are subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial.

Under IFRS 9, loss allowances are measured on either of the following bases:

12 month ECLs: these are ECLs that result from possible default within 12 months after the reporting date; and

Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instruments.

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The Establishment has applied the standard's simplified approach for trade receivables and has calculated ECLs based on lifetime expected credit losses. The Establishment has established a provision matrix that is based on the Establishment's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

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

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Establishment expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Establishment considers a financial asset in default when contractual payments are past due. However, in certain cases, the Establishment may also consider a financial asset to be in default when internal or external information indicates that the Establishment is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Establishment.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit and other short-term highly liquid investments with a maturity date of three months or less from the date of investment, net of temporary bank overdrafts.

2.13 Value Added Tax (VAT) payable/receivable

Value added tax (VAT) payable/receivable represents net VAT amount payable to or receivable from the U.A.E. Federal Tax Authority against the value added tax charged to the customers by the Establishment on its sales and services and the value added tax charged by the suppliers to the Establishment on its purchases and expenses as per the regulations of Federal Decree Law No. 8 and Cabinet Decision No. 52 of 2017 of United Arab Emirates.

2.14 Provisions

Provisions are recognised when the Establishment has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is recognised in the profit or loss, net of any reimbursement.

2.15 Provision for employees' end of service benefits

Provision for employees' end of service benefits is made in accordance with the Jebel Ali Free Zone Regulations, and is based on current remuneration and periods of service at the end of the reporting period.

KRESTON MENON CHARTERED ACCOUNTANTS

2.16 Revenue recognition

The details of significant accounting policy in relation to the Establishment's recognition of revenue from the sale of goods are set out below.

Revenue is recognised when a customer obtains control of the goods. Determining the timing of the transfer of control, at a point in time or over time, requires judgement. The Establishment recognises revenue from sale of goods based on a five-step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for 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 goods to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Establishment expects to be entitled in exchange for transferring promised goods 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 Establishment will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Establishment expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the Establishment satisfies a performance obligation.

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

1. The customer simultaneously receives and consumes the benefits provided by the Establishment's performance as the Establishment performs; or

2. The Establishment's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

3. The Establishment's performance does not create an asset with an alternative use to the Establishment and the Establishment has an enforceable right to payment for performance completed to date.

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

When the Establishment satisfies a performance obligation by delivering the promised goods, 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 recognised, 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.

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Sale of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of goods and issuance of the invoices to customers. Payment of the transaction price is normally due within 60 days from the customer purchases the goods and takes delivery.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and effective interest rate applicable.

Commission income

The commission income represents the income on sale orders procured for third parties. This income is recognised in the books when the order is completed and on issuance of commission invoice.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Establishment's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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:

a) Depreciation of property and equipment

Management assigns useful lives and residual values to property and equipment based on the intended use and the economic lives of those assets. Subsequent changes in circumstances could result in the actual useful lives or residual values differing from initial estimates. Where management determines that the useful life or residual value of an asset requires amendment, the net book amount in excess of the residual value is depreciated over the revised remaining useful life.

b) Impairment of non-financial assets

Assessments of net recoverable amounts of property and equipment and other non-financial assets are based on assumptions regarding future cash flows expected to be received from the related assets.

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c) Inventory provisions

The Establishment reviews the carrying amounts of the inventories at the end of the reporting period and assesses the likely realisation proceeds taken into account, the age of inventory, estimated future demand for various items in the inventory, physical damage etc. Based on the assessment, adequate provisions are made.

d) Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payments of Principal and Interest (SPPI) and the business model test. The Establishment determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Establishment monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Establishment's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

e) Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Establishment takes into account qualitative and quantitative reasonable and supportable forward-looking information.

f) Calculation of loss allowance

When measuring ECL the Establishment uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. PROPERTY AND EQUIPMENT

	Furniture & fixtures AED	Office equipment AED	Total AED
Cost			
At 1 April 2021	118,676	61,329	180,005
Addition	-	5,150	5,150
At 31 March 2022	118,676	66,479	185,155
Additions	20,798	2,950	23,748
At 31 March 2023	139,474	69,429	208,903
Accumulated depreciation			
At 1 April 2021	113,975	58,254	172,229
Charge for the year (Note 17)	1,927	1,111	3,038
At 31 March 2022	115,902	59,365	175,267
Charge for the year (Note 17)	6,383	2,250	8,633
At 31 March 2023	122,285	61,615	183,900
Carrying amount			
At 31 March 2023	**17,189**	**7,814**	**25,003**
At 31 March 2022	2,774	7,114	9,888

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

5. INVESTMENT IN JOINT VENTURE

At cost:	**% of shareholding**	**31.03.2023 AED**	**31.03.2022 AED**
Beximco IOC Petroleum & Energy Limited	50%		
Balance at the beginning of the year		-	22,020
Addition during the year (Note 8)		918,000	-
Share of loss		(715,291)	(22,020)
Balance at the end of the year		202,709	-

The Establishment had invested in 50% of the share capital of Beximco IOC Petroleum & Energy Limited, a company incorporated in Bangladesh on 28 September 2020. The Establishment has joint control over the venture along with RR Holdings Limited, a company incorporated in United Arab Emirates.

Summary of joint venture's financial information:

	31.03.2023 AED	**31.03.2022 AED**
Non-current assets	83,716	9,093
Current assets	441,893	429,593
Non-current liabilities	(34,559)	-
Current liabilities	(85,632)	(50,655)
Net assets	405,418	388,031
Establishment's share of net assets	202,709	194,016
Joint venture's revenue and results:		
Net loss of joint venture	(1,129,834)	(98,790)
Share of loss is as follows:		
Share of loss of joint venture	(564,917)	(22,020)
Unabsorbed loss of previous year	(150,374)	-
	(715,291)	(22,020)

The licensed activities of the joint venture are to develop, build, acquire, install, construct, own and operate petroleum and energy related projects.

6. INVENTORIES

	31.03.2023 AED	**31.03.2022 AED**
Packing materials (Note 15)	22,489	16,161

KRESTON MENON CHARTERED ACCOUNTANTS

7. TRADE AND OTHER RECEIVABLES

	31.03.2023 AED	31.03.2022 AED
Trade receivables	3,449,698	3,343,878
Accrued interest	334,966	81,429
Prepayments	262,584	245,105
Refundable deposits	49,861	23,911
VAT receivable	13,513	70,075
Advance to suppliers	2,077	752,702
	4,112,699	4,517,100

Advance to suppliers include advance paid to a related party amounting to AED Nil (2022 : AED 686,926).

Trade receivables are non-interest bearing and generally on 60 days credit terms.

The following table details the risk profile of trade receivables based on the Establishment's provision matrix. As the Establishment's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Establishment's different customer base.

As at 31 March, ageing analysis of trade receivables is as follows:

	0 to 60 days AED	61 to 180 days AED	181 to 365 days AED	Over 365 days AED	Total AED
2023					
Gross receivables	332,533	419,159	2,279,076	418,930	3,449,698
Provision %	0.00%	0.00%	0.00%	0.00%	0.00%
Provision	-	-	-	-	-
Net receivables	332,533	419,159	2,279,076	418,930	3,449,698
2022					
Gross receivables	1,725,077	1,179,181	439,620	-	3,343,878
Provision %	0.00%	0.00%	0.00%	0.00%	0.00%
Provision	-	-	-	-	-
Net receivables	1,725,077	1,179,181	439,620	-	3,343,878

8. RELATED PARTY TRANSACTIONS AND BALANCE

Related parties include the shareholder, subsidiaries, directors and entities which are controlled directly or indirectly by the shareholder or directors or over which they exercise significant management influence. Transactions and balance between the Establishment and its related parties are described below. Transactions with related parties were entered into on terms as agreed by the management.

KRESTON MENON CHARTERED ACCOUNTANTS

The ultimate parent and controlling party is Indian Oil Corporation Limited which is incorporated in India.

During the year, the Establishment entered into the following transactions with related parties:

	31.03.2023 AED	31.03.2022 AED
Parent company :		
Purchases (Note 15)	110,259,692	2,864,968
Royalty fees (Note 15)	235,844	157,211
Under common control :		
Revenue (Note 14)	1,878,990	296,242
Joint venture :		
Additional investment during the year (Note 5)	918,000	-
Share of loss in joint venture (Note 5)	(715,291)	(22,020)

Compensation of key managerial personnel

Key managerial remuneration represents the compensation paid or payable to key management for employee services. The key management includes directors and other members of senior management. The compensation of key management for the year is shown below:

	31.03.2023 AED	31.03.2022 AED
Salaries and allowances	840,056	564,442
Other benefits	131,156	136,588
	971,212	701,030

Compensation of key managerial personnel is included in the employee costs (Note 20).

The following balance was outstanding at the end of the reporting period :

	31.03.2023 AED	31.03.2022 AED
Due from a related party		
Parent company :		
Indian Oil Corporation Limited, India	-	114,060

	31.03.2023 AED	31.03.2022 AED
Due to a related party		
Parent company :		
Indian Oil Corporation Limited, India	221,723	-

The related party balance is unsecured and expected to be settled by cash.

KRESTON MENON CHARTERED ACCOUNTANTS

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

9. OTHER CURRENT FINANCIAL ASSETS

	31.03.2023 AED	31.03.2022 AED
Fixed deposits	16,810,678	18,935,066
Margin deposit (Note 25)	73,121	73,121
	16,883,799	19,008,187

10. CASH AND CASH EQUIVALENTS

	31.03.2023 AED	31.03.2022 AED
Cash at bank : Current accounts	1,210,416	452,284

11. SHARE CAPITAL

	31.03.2023 AED	31.03.2022 AED
Authorised, issued and fully paid;		
5 ordinary shares of AED 500,000 each (2022 : 2 ordinary shares of 1,000,000 each)		
Balance at the beginning of the year	2,000,000	2,000,000
Addition during the year	500,000	-
Balance at the end of the year	2,500,000	2,000,000

During the year, the Establishment increased its share capital from AED 2,000,000 to AED 2,500,000 by transferring AED 500,000 from the retained earnings.

12. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	31.03.2023 AED	31.03.2022 AED
Balance at the beginning of the year	98,790	91,190
Provision made during the year (Note 20)	41,197	7,600
Balance at the end of the year	139,987	98,790

13. TRADE AND OTHER PAYABLES

	31.03.2023 AED	31.03.2022 AED
Trade payables	3,792,092	3,822,916
Advance from customers	115,047	198,362
Accrued expenses	21,150	26,515
Other payables	14,684	-
	3,942,973	4,047,793

KRESTON MENON CHARTERED ACCOUNTANTS *

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

14. REVENUE

	31.03.2023 AED	31.03.2022 AED
At a point in time :		
Revenue from sale of goods	124,338,362	14,724,156

An analysis of revenue is as follows:

	31.03.2023 AED	31.03.2022 AED
Related parties (Note 8)	1,878,990	296,242
Others	122,459,372	14,427,914
	124,338,362	14,724,156

15. COST OF SALES

	31.03.2023 AED	31.03.2022 AED
Opening inventories	16,161	55,178
Purchases	122,580,570	12,995,508
Less : Closing inventories (Note 6)	(22,489)	(16,161)
	122,574,242	13,034,525
Freight charges	320,162	323,120
Royalty fees (Note 8)	235,844	157,211
Other direct expenses	-	49,031
	123,130,248	13,563,887

The above purchases include purchases from parent company amounting to AED 110,259,692 (2022 : AED 2,864,968) (Note 8).

Royalty is paid to the parent company for using the brand name "Servo" which is 2.5% (2021-2022 : 1.5%) of the sales by direct shipment from parent company, of the said brand.

16. OTHER INCOME

	31.03.2023 AED	31.03.2022 AED
Interest income	339,814	151,518
Commission	333,976	245,967
Claims received	-	216,361
	673,790	613,846

IOC MIDDLE EAST FZE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

17. ADMINISTRATIVE EXPENSES

	31.03.2023 AED	31.03.2022 AED
Employee costs (Note 20)	1,225,314	898,830
Legal and professional fees	479,829	116,862
Travelling expenses	299,139	184,553
Expenses on short term leases	232,507	93,992
Insurance	105,789	109,146
Communication	55,517	55,679
Bank charges	51,407	49,677
Office expenses	26,702	25,566
Depreciation on property and equipment (Note 4)	8,633	3,038
Membership fees	4,150	4,150
Exchange loss	2,246	8,124
Miscellaneous expenses	93,295	62,608
	2,584,528	1,612,225

18. MARKETING AND BRANDING EXPENSES

	31.03.2023 AED	31.03.2022 AED
Marketing and business promotion	194,175	336,964
Branding expenses	128,689	282,021
	322,864	618,985

19. FINANCE COST

	31.03.2023 AED	31.03.2022 AED
Interest on short term loan	77,886	-

During the year, the Establishment has availed and repaid a short term loan of AED 13,946,000.

20. EMPLOYEE COSTS

	31.03.2023 AED	31.03.2022 AED
Salaries and allowances	1,052,961	754,642
End of service benefits (Note 12)	41,197	7,600
Other benefits	131,156	136,588
	1,225,314	898,830

Managerial remuneration is included in the above employee costs (Note 8).

The entire employee costs have been allocated to administrative expenses (Note 17).

KRESTON MENON CHARTERED ACCOUNTANTS

21. FINANCIAL INSTRUMENTS

The net carrying amounts of the financial assets and financial liabilities at the reporting date are classified as follows :

	At amortised cost	
Financial assets	**31.03.2023 AED**	**31.03.2022 AED**
Trade and other receivables (excluding prepayments and advance to suppliers) (Note 7)	3,848,038	3,519,293
Due from a related party (Note 8)	-	114,060
Other current financial assets (Note 9)	16,883,799	19,008,187
Cash and cash equivalents (Note 10)	1,210,416	452,284
	21,942,253	23,093,824

	At amortised cost	
Financial liabilities	**31.03.2023 AED**	**31.03.2022 AED**
Trade and other payables (excluding advance from customers) (Note 13)	3,827,926	3,849,431
Due to a related party (Note 8)	221,723	-
	4,049,649	3,849,431

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.10 to the financial statements.

22. CAPITAL RISK MANAGEMENT

The Establishment manages its capital to ensure that the Establishment will be able to continue as a going concern while providing maximum return to stakeholders through the optimisation of the debt and equity balance and to maintain an optimal capital structure to reduce the cost of capital. The Establishment's overall strategy on capital risk management remains unchanged from the previous year.

The capital structure of the Establishment consists of equity funds as presented in the statement of financial position. Debt comprises total amounts owing to third parties and a related party, net of cash and cash equivalents.

23. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

KRESTON MENON CHARTERED ACCOUNTANTS

Risk management is carried out by the Establishment's management. The management identifies and evaluates financial risks on regular basis to minimise the adverse impact over the Establishment's operation.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as commodity price risk and equity risk. The Establishment's activities are exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(i) Foreign currency risk

Foreign 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. The Establishment's exposure to the risk of changes in foreign exchange rates relates primarily to the Establishment's operating activities, when revenue or expense are denominated in a different currency from the Establishment's functional currency which is Arab Emirates Dirham (AED). There are no significant exchange risks as substantially all financial assets and liabilities are denominated in U.A.E. Dirhams or US Dollars to which the U.A.E. Dirham is pegged.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of the reporting date, the Establishment has fixed deposits as disclosed in Note 9. If the interest rate had strengthened by 1% against the effective rate with all other variables held constant, loss for the year would have been lower by AED 168,107 (2022 : AED 189,351).

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Establishment is exposed to credit risk from its operating activities (primarily for trade receivables and committed transactions) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

The Establishment deals only with highly reputed local and international banks. In respect of major customers, credit risk is managed by assessing the credit quality of these major customers, taking into account their financial position, past experience and other factors including regular follow up.

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

KRESTON MENON CHARTERED ACCOUNTANTS

The Establishment manages the liquidity risk through risk management framework for the Establishment's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent to ensure funds are available to meet its commitments for liabilities as they fall due.

The table below analyses the Establishment's remaining contractual maturity for its financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The contractual maturity is based on the earliest date on which the Establishment may be required to pay.

	Less than 1 year	
	31.03.2023	31.03.2022
	AED	AED
Trade and other payables (excluding advance from customers) (Note 13)	3,827,926	3,849,431
Due to a related party (Note 8)	221,723	-
	4,049,649	3,849,431

24. FAIR VALUE

The fair value of a particular asset or liability 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 values of the financial assets and liabilities approximate their carrying amounts as reflected in these financial statements.

25. CONTINGENT LIABILITY

Details of the outstanding contingent liability of the Establishment which is in the normal course of the business activities is as follows:

	31.03.2023	31.03.2022
	AED	AED
Labour guarantee (Note 9)	73,121	73,121

26. COMPARATIVE FIGURES

Previous year figures have been regrouped and reclassified, wherever necessary, to conform with the current year presentation.

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