IOC MIDDLE EAST FZE
JEBEL ALI FREE ZONE
DUBAI - UNITED ARAB EMIRATES
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2010

	Notes	2010 INR	2009 INR
ASSETS			
NON-CURRENT ASSETS :			
Property and equipment	5	130,256	234,804
CURRENT ASSETS :			
Inventories	6	564,350	452,200
Trade and other receivables	7	13,431,157	12,420,148
Due from a related party	8	10,917,292	-
Cash and cash equivalents	9	57,887,626	59,207,521
		82,800,425	72,079,869
TOTAL ASSETS		**82,930,681**	**72,314,673**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES :			
Share capital	2	22,996,393	22,996,393
Retained earnings	10	50,011,501	38,882,855
Foreign currency translation reserve		(5,734,858)	3,896,041
		67,273,036	65,775,289
NON-CURRENT LIABILITIES :			
Statutory gratuity	11	115,971	80,410
CURRENT LIABILITIES :			
Trade and other payables	12	15,541,674	5,539,031
Due to a related party	8	-	919,943
		15,541,674	6,458,974
TOTAL LIABILITIES		15,657,645	6,539,384
TOTAL EQUITY AND LIABILITIES		**82,930,681**	**72,314,673**

Notes on pages 10 to 22 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 13th May, 2010. Signed on behalf of the board by:

Director **Director**

IOC MIDDLE EAST FZE
JEBEL ALI FREE ZONE
DUBAI - UNITED ARAB EMIRATES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2010

	Notes	2010 INR	2009 INR
REVENUE	13	483,490,470	496,643,354
Cost of sales	14	(469,146,458)	(473,461,375)
GROSS MARGIN		14,344,012	23,181,979
Other income	15	9,208,106	4,647,041
TOTAL INCOME		23,552,118	27,829,020
EXPENSES :			
Employee cost		(1,297,390)	(1,286,517)
Managerial remuneration	16	(4,991,594)	(3,081,913)
Administrative and selling expenses	17	(3,375,241)	(3,127,223)
Depreciation	5	(159,188)	(135,308)
PROFIT FOR THE YEAR	10	**13,728,705**	**20,198,059**

Notes on pages 10 to 22 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 13th May, 2010. Signed on behalf of the board by:

Director

Director

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2010

	Share capital INR	Retained earnings INR	Foreign currency translation reserve INR	Total INR
Balance as at 31.03.2008	22,996,393	18,684,796	(8,650,453)	33,030,736
Net movements during the year	-	-	12,546,494	12,546,494
Net profit for the year	-	20,198,059	-	20,198,059
Balance as at 31.03.2009	**22,996,393**	**38,882,855**	**3,896,041**	**65,775,289**
Net movements during the year	-	-	(9,630,899)	(9,630,899)
Net profit for the year	-	13,728,705	-	13,728,705
Dividend paid	-	(2,600,059)	-	(2,600,059)
Balance as at 31.03.2010	**22,996,393**	**50,011,501**	**(5,734,858)**	**67,273,036**

Notes on pages 10 to 22 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 13th May, 2010. Signed on behalf of the board by:

Director

Director

MORISON MENON CHARTERED ACCOUNTANTS

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 2010

	2010 INR	2009 INR
CASH FLOWS FROM OPERATING ACTIVITIES :		
Profit for the year	13,728,705	20,198,059
Statutory gratuity	35,561	80,410
Depreciation	159,188	135,308
Foreign currency translation reserve	(9,630,899)	12,546,494
Operating cash flows before working capital changes	4,292,555	32,960,271
Increase in trade and other receivables	(1,011,009)	(8,470,373)
Increase in inventories	(112,150)	(72,185)
Decrease in goods in transit	-	3,005,630
Increase in due from a related party	(10,917,292)	-
(Increase)/decrease in trade and other payables	10,002,643	(19,633,005)
Decrease in due to a related party	(919,943)	(1,913,093)
Net cash from operating activities (A)	1,334,804	5,877,245
CASH FLOWS FROM INVESTING ACTIVITIES :		
Addition to property and equipment	(54,640)	(73,080)
Net cash used in investing activities (B)	(54,640)	(73,080)
CASH FLOWS FROM FINANCING ACTIVITIES :		
Dividend paid	(2,600,059)	-
Net cash from financing activities (C)	(2,600,059)	-
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(1,319,895)	5,804,165
Cash and cash equivalents at beginning of year	59,207,521	53,403,356
Cash and cash equivalents at end of year (Note 9)	**57,887,626**	**59,207,521**

Notes on pages 10 to 22 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 13th May, 2010. Signed on behalf of the board by:

Director

Director

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010

1. LEGAL STATUS AND ACTIVITIES :

M/s. IOC Middle East FZE, Jebel Ali Free Zone, Dubai ('the establishment') was initially formed and registered with the Jebel Ali Free Zone Authority, Dubai on 19th April, 2006 as a Free Zone Establishment under the name M/s. IOCL Trading FZE. On 11th June, 2006 the name was amended to M/s. IOC Middle East FZE.

Activities :

The principal activities of the establishment are trading in crude oil, lubricants & grease, refined oil products, fuel, tar & asphalt and petrochemicals.

Management :

Mr. Rakesh Jain is retiring with effect from 30th April, 2010 and Mr. Subrat Kar has been appointed as the managing director of the establishment with effect from 1st May, 2010.

Accounting period :

These financial statements relate to the period from 1st April, 2009 to 31st March, 2010.

2. SHARE CAPITAL :

The establishment was formed with a capital of INR 12,203,893 represented by one share held in the name of M/s. Indian Oil Corporation Limited, India. On 3rd February, 2008 the capital of the establishment was increased to INR 22,996,393 represented by two shares held in the name of M/s. Indian Oil Corporation Limited, India.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES :

a) Basis of preparation :

These financial statements have been prepared on the historical cost basis.

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2010

b) Statement of compliance :

These financial statements have been prepared in accordance with International Financial Reporting Standards and accounts related matters comply with Implementing Regulations No. 1/92 issued by the Jebel Ali Free Zone Authority pursuant to the Law No. 9 of 1992.

c) Property and equipment :

i) Owned assets

These are carried at cost less accumulated depreciation and impairment losses. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

ii) Subsequent measurement

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the profit or loss as an expense when incurred. When an asset is sold or otherwise retired, the cost and related accumulated depreciation are removed from the books of account and any resultant gain or loss taken to the profit or loss.

iii) Depreciation

Depreciation is charged to the profit or loss on a straight line basis over the estimated useful lives of property and equipment. The estimated useful lives are as follows :

Office equipment	:	4 years
Furniture & fixtures	:	4 years

d) Inventories :

Inventories are valued at lower of cost and net realisable value. The cost of inventory is determined on the 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.

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2010

e) Trade and other receivables :

Trade and other receivables are stated at cost, being the fair value less impairment allowances. A provision for impairment of trade receivables is established when there is objective evidence that the establishment will not be able to collect all amounts due according to the original terms of receivables. The amount of impairment is recognized in the profit or loss.

f) Trade and other payables :

Trade and other payables are stated at cost.

g) Foreign currency transactions :

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') ie. U.A.E. Dirham (AED). These financial statements are presented in Indian Rupees (INR).

ii) Transactions and balances

Transactions in foreign currencies are translated to UAE Dirhams (AED), which is the establishment's measurement currency, at the foreign exchange rate on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated into UAE Dirhams (AED) at foreign exchange rates approximating those ruling at that date. All differences are taken to the profit or loss.

MORISON MENON CHARTERED ACCOUNTANTS

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2010

Assets, liabilities, income and expenses presented in these financial statements are translated from UAE Dirham (AED) to Indian rupees (INR) as follows:

(i) Monetary assets and liabilities are translated at the rate as on 31st March, 2010 which was AED 1 = INR 12.26;

(ii) Most of the purchases were made in Indian Rupees (INR) and have been presented at the actual values incurred. Other items of revenue, expense and other income are translated at the average exchange rate for the year which is INR 13.00;

(iii) Share capital and fixed assets are translated at the rate of exchange on the date of transaction.

h) Revenue :

i) Sale of goods

Revenue from the sale of goods is recognised in the profit or loss when significant risks and rewards of ownership have been transferred to the buyers. Sales comprise the invoiced value of goods (net of discounts) supplied by the establishment during the year.

ii) Interest income

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

iii) Commission income

Commission income represents the value of credit notes received for sales orders procured and materials dispatched.

i) Income tax :

According to U.A.E revenue code, the business profit is liable for corporate income tax at a progressive rate upto a maximum of 55 per cent. However, the establishment is registered in Jebel Ali Free Zone, Dubai, the Investment Promotional Act of which exempts the establishment from corporate income tax for a period of 50 years. Therefore, no provision of corporate income tax is made in the financial statements.

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2010

j) Impairment of assets :

The carrying amounts of the establishment's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated in order to determine the extent of impairment loss. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognized in the profit or loss. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

k) Cash and cash equivalents :

Cash and cash equivalents consist of cash and balances with bank and deposit with the banks maturing within three months of the date of deposit.

l) Operating leases :

Leases under which the substantial risk and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight line basis over the lease term.

m) Provisions :

A provision is recognized in the statement of financial position when the establishment has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING ESTIMATES :

The establishment makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2010

a) Impairment of inventories :

The establishment reviews the carrying amounts of the inventories at each reporting date to determine whether the inventories have been impaired. The establishment identifies the inventories, which have been impaired based on the age of inventory and their estimate of future demand for various items in the inventory. If any indication of impairment exists, the inventories' recoverable amount is estimated based on past experience.

b) Impairment of receivables :

The establishment reviews the carrying amounts of the receivables at each reporting date to determine whether the receivables have been impaired. The establishment identifies the receivables, which have been impaired based on the overall quality and ageing of receivables. The receivables' recoverable amount is estimated based on past experience and estimated cash flows.

c) Useful life and residual value of property and equipment :

The establishment reviews the useful life and residual value of property and equipment at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on similar assets of the industry, and future economic benefit expectations of the management.

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31ST MARCH, 2010

5. PROPERTY AND EQUIPMENT :

		Office equipment INR	Furniture & fixtures INR	Total INR
COST :	30.03.2009	150,007	389,501	539,508
	Additions	52,170	2,470	54,640
	31.03.2010	202,177	391,971	594,148
ACCUMULATED DEPRECIATION :	30.03.2009	90,231	214,473	304,704
	Charge for the year	52,846	106,342	159,188
	31.03.2010	143,077	320,815	463,892
CARRYING AMOUNT :	**31.03.2010**	**59,100**	**71,156**	**130,256**
	30.03.2009	59,776	175,028	234,804

IOC MIDDLE EAST FZE
JEBEL ALI FREE ZONE
DUBAI - UNITED ARAB EMIRATES
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 31ST MARCH, 2010

6. INVENTORIES :

	2010 INR	2009 INR
Packing materials	564,350	452,200

7. TRADE AND OTHER RECEIVABLES :

	2010 INR	2009 INR
Trade receivables	12,068,066	11,158,282
Refundable deposits*	505,959	208,417
Prepayments	594,699	610,259
Accrued interest on fixed deposit (Note 9)	262,433	443,190
	13,431,157	12,420,148

* Refundable deposits include guarantee deposit of INR 397,797 (2009: AED 120,168) placed for employee guarantees.

AGE WISE ANALYSIS OF TRADE RECEIVABLES :

Less than 3 months	11,506,874	11,158,282
3 to 6 months	561,192	-
	12,068,066	11,158,282

GEOGRAPHICAL ANALYSIS OF TRADE RECEIVABLES :

Overseas	11,506,874	10,340,881
Local	561,192	817,401
	12,068,066	11,158,282

a) The credit risk with respect to trade receivables is high due to the establishment's limited customer base. The establishment has adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The establishment has subsequently collected an amount of INR 4,452,988 up to 7th April, 2010.

b) The fair value of trade receivables is not materially different from their net balances shown in the statement of financial position.

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31ST MARCH, 2010

8. RELATED PARTY TRANSACTIONS :

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions represent transactions with shareholder, directors and senior management of the establishment and entities in which they have significant influence or control or are similarly influenced or controlled. The establishment enters into transactions with related parties in the normal course of business at prices determined by the management.

DUE FROM A RELATED PARTY :

	2010 INR	2009 INR
M/s. Indian Oil Corporation Limited, India (Parent Company)	10,917,292	-

DUE TO A RELATED PARTY :

	2010 INR	2009 INR
M/s. Indian Oil Corporation Limited, India	-	919,943

The following are the significant related party transactions during the year :

	2010 INR	2009 INR
Purchases - M/s. Indian Oil Corporation Ltd., India	385,205,287	392,312,752
Commission income (Note 15)	6,928,065	2,571,789
Managerial remuneration (Note 16)	4,991,594	3,081,913

9. CASH AND CASH EQUIVALENTS :

	2010 INR	2009 INR
Cash at bank : Current account	18,581,017	3,394,007
Fixed deposit - short term	39,306,609	55,813,514
	57,887,626	59,207,521

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31ST MARCH, 2010

10. RETAINED EARNINGS :

	2010 INR	2009 INR
Balance at the beginning of the year	38,882,855	18,684,796
Profit for the year	13,728,705	20,198,059
Dividend paid	(2,600,059)	-
	50,011,501	38,882,855

11. STATUTORY GRATUITY :

	2010 INR	2009 INR
Balance at the beginning of the year	80,410	-
Provided during the year	35,561	80,410
	115,971	80,410

12. TRADE AND OTHER PAYABLES :

	2010 INR	2009 INR
Trade payables	10,293,225	942,246
Post dated cheques payable	5,016,254	4,360,932
Accrued expenses	171,686	191,808
Creditors for expenses	60,509	44,045
	15,541,674	5,539,031

13. REVENUE :

	2010 INR	2009 INR
Sale of goods	483,490,470	496,643,354

14. COST OF SALES :

	2010 INR	2009 INR
Opening inventories	452,200	380,015
Purchases	468,904,103	472,105,795
Direct expenses	354,505	1,427,765
Less : Closing inventories	(564,350)	(452,200)
	469,146,458	473,461,375

IOC MIDDLE EAST FZE

JEBEL ALI FREE ZONE

DUBAI - UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 31ST MARCH, 2010

15. OTHER INCOME :

	2010 INR	2009 INR
Commission income (Note 8)	6,928,065	2,571,789
Interest on fixed deposits	2,247,174	2,075,252
Exchange gain	32,867	-
	9,208,106	4,647,041

16. MANAGERIAL REMUNERATION :

Managerial remuneration represents salary and other benefits paid to the managing director (Note 8).

17. ADMINISTRATIVE AND SELLING EXPENSES :

	2010 INR	2009 INR
Rent	636,140	680,455
Communication	489,997	449,027
Printing & stationery	104,421	88,920
Travelling & conveyance	772,191	570,577
Legal, licence & visa	344,405	114,965
Bank charges	300,249	440,245
Exchange loss	-	182,706
Sales promotion	110,503	-
Professional fee	526,512	480,896
Miscellaneous expenses	90,823	119,432
	3,375,241	3,127,223

18. PROPOSED DIVIDEND :

In respect of current year, the board of directors proposed a dividend @ 10% on the paid up capital of the establishment. This dividend is subject to approval by the shareholders at the annual general meeting and has not been included as a liability in these financial statements.

IOC MIDDLE EAST FZE
JEBEL ALI FREE ZONE
DUBAI - UNITED ARAB EMIRATES
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 31ST MARCH, 2010

19. FINANCIAL INSTRUMENTS AND MANAGEMENT OF RISKS :

Financial instruments :

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the establishment consist of cash and cash equivalents, due from a related party and trade and other receivables. The financial liabilities of the establishment consist of trade and other payables and due to a related party.

Credit risk :

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Cash is placed with banks with good credit ratings.

Credit risk is actively managed and monitored in accordance with defined credit policies and procedures of the establishment. Credit review procedures are designed to identify at an early stage, exposures, which require more detailed monitoring and review.

Currency risk :

Purchases from overseas suppliers are made in foreign currencies. Currency risk relates to changes in exchange rates which affect payment flows in foreign currencies and valuation of liabilities in foreign currencies. The establishment regularly monitors exchange fluctuations and takes such steps as may be required to cover itself.

Liquidity risk :

Liquidity risk also referred to as a funding risk, is the risk that the establishment will encounter difficulty in raising funds to meet commitments and obligations. Liquidity risk may result from an inability to sell a financial asset quickly at a price close to its fair value.

The establishment manages its liquidity risk by monitoring its liquidity requirements and by ensuring that sufficient funds are available to meet its expected requirements.

IOC MIDDLE EAST FZE
JEBEL ALI FREE ZONE
DUBAI - UNITED ARAB EMIRATES
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 31ST MARCH, 2010

Interest rate risk :

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The establishment's interest rate risk is limited to interest bearing deposits with banks which are at current market rates.

Fair value :

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair values of the establishment's financial assets and liabilities are not materially different from their carrying values.

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS :

	2010 INR	2009 INR
Employee guarantee	397,797	139,224

Except the above and ongoing purchase commitments in the normal course of business against which no loss is expected, there has been no other known contingent liability or capital commitment on the establishment's account.

21. COMPARATIVE FIGURES :

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

22. LEVEL OF PRECISION :

All figures are rounded off to the nearest Indian Rupee (INR).

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