IOC MIDDLE EAST FZE

Jebel Ali Free Zone
Dubai - United Arab Emirates
Financial Statements and
Independent Auditors' Report
For the year ended March 31, 2017

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Financial Statements and Independent Auditors' Report
For the year ended March 31, 2017

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DIRECTORS' REPORT

On behalf of the Board of Directors, I am presenting the audited financial statements of **IOC Middle East FZE** (the Establishment) for the year ended March 31, 2017.

Principal activities

During the year ended March 31, 2017, **IOC Middle East FZE** was mainly engaged in the business of trading in crude oil, lubricants, grease, fuel, tar, asphalt, petrochemicals and refined oil products.

Business Review

During the Financial year 2016 – 17, IOC MIDDLE EAST FZE achieved sales of 4316 Kilo Litres of finished lubricants. Out of the total sales of finished products, 3915 Kilo Litres of product was blended in U.A.E. which works out to 90.7% of total volume. Distributor at Kingdom of Bahrain was appointed as Servo Lube Distributor (Retail).

Adhoc distributor appointed at Kuwait for the first time, hence IOC, Middle East presence is now in all the GCC countries.

During the year 2016 – 17, IOC MIDDLE EAST FZE exported products to Oman, Qatar, Bahrain, Nigeria, Nepal, Iraq, Somalia and Saudi Arabia. Servo Brake Fluid Super HD (DOT 4), Servo Kool were blended in UAE for the first time.

Introduced Servo XEE 10W30 engine oils, in bulk, to High Hyundai service stations in Kingdom of Saudi Arabia, and agreement signed with M/s Hafil for supply of Servo Lubricants one of the biggest Transporter in KSA.

Approval obtained from M/s Wartsila for our Servo Green Edge.

Financial results and appropriations

The financial results of the Establishment for the year ended 31 March 2017 are set out in the statement of comprehensive income. For the year ended 31 March 2017 the Establishment achieved revenue of AED 26.13 million with a gross profit of AED 5.04 million at 19.29% of revenue (2016: revenue of AED 35.59 million with a gross profit of AED 4.54 million at 12% of revenue). The profit for the year is AED 3.45 million at 13.20 % of revenue (2016: profit of AED 3.22 million at 9.0%). On a share capital of AED 2.0 million the Establishment has cumulative reserves of AED 17.06 million with the net worth of AED 19.06 million (2016: share capital of AED 2.0 million, the cumulative reserve was AED 14.61 million with a net worth of AED 16.61 million).

Keeping in view the reasonable profits made by the Establishment in its 10th successive year of operation, the Board of Directors were pleased to recommend a dividend of 100% (2015-16: 50%) on the paidup capital for the financial year 2016-17.

Directors' Report (continued)

Directors' responsibilities

The Law requires the Directors to prepare the financial statements for each financial year, which provide a true and fair view of the state of affairs of the Establishment and the net profit or loss for the year.

Events after the reporting period

There are no significant events after the reporting period, which affect the financial statements or disclosures.

Shareholders and their interests

The shareholders and their interests in the Establishment are disclosed in Note 1 to the financial statements. There were no changes to the shareholding structure during the year.

Directors

The Directors who served during the year are:

Mr. K. L Murthy	Chairman
Mr. Rajeev Agarwal	Director (until July 10, 2016)
Mr. Sandeep Kumar Gupta	Director (from July 11, 2016)
Mr. Kamal Kumar Gwalani	Director
Mr. Vikas Bahl	Managing Director cum Secretary

Auditors

HLB Hamt Chartered Accountants were the auditors of the Establishment for the year ended March 31, 2017, and have expressed their willingness to continue as auditors for the year ending March 31, 2018. It will be put to the members at the Annual General Meeting.

On behalf of the Board of Directors:

Mr. K. L Murthy
Chairman
April 28, 2017

HLB HAMT
Chartered Accountants
إتش إل بي هامت محاسبون قانونيون

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Independent Auditors' Report

To

The Board of Directors of IOC Middle East FZE
Jebel Ali Free Zone
Dubai - United Arab Emirates

Report on the Audit of the Financial Statements

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **IOC Middle East FZE** (the Establishment) as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We have audited the financial statements of the Establishment, which comprise the statement of financial position as at March 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 Auditors' 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) and the provisions of Jebel Ali Free Zone Companies Implementing Regulations 2016, 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

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.

Auditors' 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.

Report on Other Legal and Regulatory Requirements

Further, we report that:

(i) We have obtained all the information we considered necessary for the purpose of our audit.

(ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of Jebel Ali Free Zone Companies Implementing Regulations 2016.

(iii) The Establishment maintained proper books of accounts.

(iv) The financial information included in the Directors' Report is consistent with the books of accounts and records of the Establishment.

(v) 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, 2017, any of the applicable provisions of Jebel Ali Free Zone Companies Implementing Regulations 2016, which would materially affect its activities or its financial position as at March 31, 2017.

Dubai
April 29, 2017

Ref: HAMT/MRS/217/245

P.O.Box: 32655
Dubai - U.A.E.

For HLB Hamt
Chartered Accountants
Signed by Vijay Anand
Partner
[Reg. No. 654]

IOC Middle East FZE
Jebel Ali Free Zone
Dubai - United Arab Emirates

Statement of Financial Position
As at March 31, 2017
(In Arab Emirates Dirhams)

	Note	2017	2016
Assets			
Non-current assets			
Property and equipment	5	**35,058**	17,646
Total non-current assets		**35,058**	17,646
Current assets			
Inventories	6	**155,357**	112,707
Accounts and other receivables	8	**4,870,823**	4,988,426
Other financial assets	9	**16,950,410**	14,240,875
Cash and cash equivalents	10	**1,962,695**	2,929,753
Total current assets		**23,939,285**	22,271,761
Total Assets		**23,974,343**	22,289,407
Equity and Liabilities			
Equity			
Capital	1	**2,000,000**	2,000,000
Retained earnings		**17,059,834**	14,605,364
Total Equity		**19,059,834**	16,605,364
Non-current liability			
Provision for employees' end of service indemnity	11	**53,532**	46,837
Total non-current liability		**53,532**	46,837
Current liabilities			
Accounts and other payables	12	**4,860,977**	5,637,206
Total current liabilities		**4,860,977**	5,637,206
Total Liabilities		**4,914,509**	5,684,043
Total Equity and Liabilities		**23,974,343**	22,289,407

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

The financial statements on pages 5 - 29 were approved by the management on April 28, 2017 and signed on its behalf by:

Mr. K.L Murthy
Chairman

Mr. Vikas Bahl
Managing Director

IOC Middle East FZE
Jebel Ali Free Zone
Dubai - United Arab Emirates

Statement of Comprehensive Income
For the year ended March 31, 2017
(In Arab Emirates Dirhams)

	Note	2017	2016
Revenue	13	**26,128,498**	35,585,766
Direct expenses	14	**(21,088,872)**	(31,045,910)
Gross profit		**5,039,626**	4,539,856
Other income	15	**68,881**	-
General and administrative expenses	16	**(1,884,136)**	(1,585,094)
Depreciation	5	**(11,436)**	(14,130)
Profit from operations		**3,212,935**	2,940,632
Finance income	18	**241,535**	281,874
Profit for the year		**3,454,470**	3,222,506
Total comprehensive income for the year		**3,454,470**	3,222,506

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

IOC Middle East FZE
Jebel Ali Free Zone
Dubai - United Arab Emirates

Statement of Changes in Equity
For the year ended March 31, 2017
(In Arab Emirates Dirhams)

	Capital	Retained earnings	Total
Balance as at March 31, 2015	**2,000,000**	**12,182,858**	**14,182,858**
Total comprehensive income for the year	-	3,222,506	3,222,506
Dividend paid	-	(800,000)	(800,000)
Balance as at March 31, 2016	**2,000,000**	**14,605,364**	**16,605,364**
Total comprehensive income for the year	-	3,454,470	3,454,470
Dividend paid (Note 20)	-	(1,000,000)	(1,000,000)
Balance as at March 31, 2017	**2,000,000**	**17,059,834**	**19,059,834**

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

IOC Middle East FZE
Jebel Ali Free Zone
Dubai - United Arab Emirates

Statement of Cash Flows
For the year ended March 31, 2017
(In Arab Emirates Dirhams)

	Note	2017	2016
Cash flows from operating activities			
Profit for the year		**3,454,470**	3,222,506
Adjustments for:			
Depreciation	5	**11,436**	14,130
Loss on disposal of property and equipment	16	**70**	-
Finance income	18	**(241,535)**	(281,874)
Provision for employees' end of service indemnity	11	**6,695**	6,713
Operating cash flows before changes in working capital		**3,231,136**	2,961,475
Working capital changes:			
Inventories	6	**(42,650)**	(22,072)
Accounts and other receivables	8	**117,603**	1,840,348
Accounts and other payables	12	**(776,229)**	(2,779,033)
Net cash generated from operating activities		**2,529,860**	2,000,718
Cash flows from investing activities			
Movements in other financial assets	9	**(2,709,535)**	(288,124)
Additions to property and equipment	5	**(28,918)**	-
Finance income	18	**241,535**	281,874
Net cash used in investing activities		**(2,496,918)**	(6,250)
Cash flows from financing activities			
Dividend	20	**(1,000,000)**	(800,000)
Net cash used in financing activities		**(1,000,000)**	(800,000)
Net (decrease)/increase in cash and cash equivalents		**(967,058)**	1,194,468
Cash and cash equivalents at the beginning of the year		**2,929,753**	1,735,285
Cash and cash equivalents at the end of the year	10	**1,962,695**	2,929,753

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

1. Establishment and operations

IOC Middle East FZE (the Establishment) was registered with the Jebel Ali Free Zone Authority, Dubai - United Arab Emirates on May 01, 2006, as Free Zone Establishment with Limited Liability, under License No. 6863. The capital of Establishment is AED 2,000,000/- divided into 2 shares of AED 1,000,000/- held by Indian Oil Corporation Limited (India).

The address of the registered office of the Establishment is P.O. Box 261338, Jebel Ali, Dubai - United Arab Emirates.

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

2. Adoption of new and revised International Financial Reporting Standards and Interpretations

2.1 Standards and interpretations effective in the current year

The Establishment has adopted the following new and amended IFRS's in these financial statements:

(a) IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Establishment is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

(b) Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests:

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Establishment as there has been no interest acquired in a joint operation during the period.

2. Adoption of new and revised International Financial Reporting Standards and Interpretations (continued)

2.1 Standards and interpretations effective in the current year (continued)

(c) Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization:

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively and do not have any impact on the Establishment, since it has not used a revenue-based method to depreciate its non-current assets.

(d) Amendments to IAS 16 and IAS 41 Agriculture-Bearer Plants:

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are applied retrospectively and do not have any impact on the Establishment as it does not have any bearer plants.

(e) Amendments to IAS 27: Equity Method in Separate Financial Statements:

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Establishment's financial statements.

(f) Annual Improvements Cycle- 2012-2014:

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is to be applied prospectively.

2. Adoption of new and revised International Financial Reporting Standards and Interpretations (continued)

2.1 Standards and interpretations effective in the current year (continued)

(f) Annual Improvements Cycle- 2012-2014: (continued)

IFRS 7 Financial Instruments: Disclosures:

i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements:

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 Employee Benefits:

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting:

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Establishment.

2. Adoption of new and revised International Financial Reporting Standards and Interpretations (continued)

2.1 Standards and interpretations effective in the current year (continued)

(g) Amendments to IAS 1 Disclosure Initiative:

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1.
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments do not have any impact on the Establishment.

(h) Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception:

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated.

All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Establishment as the Establishment does not apply the consolidation exception.

2. Adoption of new and revised International Financial Reporting Standards and Interpretations (continued)

2.2 New and revised IFRS in issue but not effective and not early adopted

The following standards, amendments thereto and interpretations have been issued prior to March 31, 2017 but have not been applied in these financial statements as their effective dates of adoption are for future periods. The impact of the adoption of the below standards is currently being assessed by the management. It is anticipated that their adoption in the relevant accounting periods will impact only the disclosures within the financial statements.

	Effective for annual periods beginning on or after
IAS 7 Disclosure Initiative - Amendments to IAS 7	January 01, 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses - Amendments to IAS 12	January 01, 2017
IFRS 9- Financial Instruments	January 01, 2018
IFRS 15- Revenue from Contracts with Customers	January 01, 2018
IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2	January 01, 2018
Transfers of Investment Property (Amendments to IAS 40)	January 01, 2018
IFRS 16 Leases	January 01, 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Indefinitely deferred

3. Basis of presentation and significant accounting policies

3.1 Statement of compliance

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB) and the provisions of Jebel Ali Free Zone Companies Implementing Regulations 2016.

3.2 Basis of measurement

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

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Establishment takes in to account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

3. Basis of presentation and significant accounting policies (continued)

3.3 Functional and presentation currency

These 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'). These financial statements are presented in Arab Emirates Dirhams (AED), which is the Establishment's functional and presentation currency.

3.4 Revenue recognition

Revenue is recognized in the statement of comprehensive income at the fair value of the consideration received or receivable, provided it is probable that the economic benefits will flow to the Establishment and the revenue and costs, if applicable, can be measured reliably.

3.4.1 Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Establishment has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Establishment retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Establishment; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.4.2 Finance income

Finance income comprises interest income on fixed deposits and is recognized as an income in the year in which it is accrued.

3.5 Direct expenses

Direct expenses include direct operating expenses incurred in generating revenue. Expenses that are not immediately attributable to the generating of revenue are not included in the gross profit as reported. Direct expenses are recognized over the term that the associated revenue is recognized.

3. Basis of presentation and significant accounting policies (continued)

3.6 Provision for employees' end of service indemnity

Estimated amounts required to cover employees' end of service indemnity at the date of statement of financial position are computed pursuant to the UAE Federal Labour Law No. 8 of 1980 based on the employees' accumulated period of service and current remuneration at the date of statement of financial position.

The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

3.7 Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and any identified impairment loss.

Property and equipment are depreciated using straight-line method over the expected useful lives of the assets as under:

Furniture and fixtures	4 years
Office equipment	4 years

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefit from these assets, and adjusted prospectively, if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Maintenance and repairs are charged to expenses as incurred and renewals and improvements, which extend the life of the asset, are capitalized and depreciated over the remaining life of the asset.

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

3.8 Impairment of non-financial assets

At the end of each reporting period, 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 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. 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.

3. Basis of presentation and significant accounting policies (continued)

3.8 Impairment of non-financial assets (continued)

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. 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.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for assets previously revalued with the revaluation taken to other comprehensive income. For such assets, the impairment is recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Establishment estimates the asset's or cash generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.9 Foreign currencies

3.9.1 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 the end of each reporting period are recognized in the statement of comprehensive income. 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.

3. Basis of presentation and significant accounting policies (continued)

3.10 Lease

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

3.10.1 Operating lease

(a) The Establishment as lessee:

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

3.11 Financial instruments

Financial assets and financial liabilities are recognized when the Establishment becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3.11.1 Financial assets

The Establishment's financial assets include accounts and other receivables (excluding prepayments) and other financial assets classified as 'loans and receivables', and bank balances and cash in hand referred as 'cash and cash equivalents'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(a) Loans and receivables

Loans and receivables that have fixed or determinable payments are initially measured at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. Basis of presentation and significant accounting policies (continued)

3.11 Financial instruments (continued)

3.11.1 Financial assets (continued)

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.11.2 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event'), the estimated future cash flows of the financial asset have been affected and the impact can be reliably estimated.

(a) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For certain categories of financial assets, such as accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Establishment's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through statement of comprehensive income to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Impairment losses recognized for financial assets carried at cost are not reversed.

3. Basis of presentation and significant accounting policies (continued)

3.11 Financial instruments (continued)

3.11.3 De-recognition of financial assets

The Establishment de-recognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Establishment neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Establishment recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

3.11.4 Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities measured at amortized cost using the effective interest method.

The Establishment's financial liabilities include accounts and other payables (less advances) classified as 'other financial liabilities'.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(a) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using effective interest method except for short term payable where the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.11.5 De-recognition of financial liabilities

The Establishment de-recognizes financial liabilities when, and only when, the Establishment's obligations are discharged, cancelled or expired. 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 the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

3. Basis of presentation and significant accounting policies (continued)

3.11 Financial instruments (continued)

3.11.6 Offsetting of financial instruments

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

3.12 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.

4. Significant accounting judgments and key sources of estimation uncertainty

4.1 Significant judgments in applying the accounting policies

In the process of applying the Establishment's accounting policies, which are described in Note 3 to the financial statements, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below):

4.1.1 Contingencies

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

4. Significant accounting judgments and key sources of estimation uncertainty (continued)

4.1 Significant judgments in applying the accounting policies (continued)

4.1.2 Provision for employees' end of service indemnity

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

4.1.3 Leases

Accounting for lease arrangements first involves making a determination, at inception of a lease arrangement, whether a lease is classified an operating lease or a finance lease. The Establishment has entered into leases over buildings. The Establishment evaluates of the terms and conditions of the arrangements, such as whether the lease term constitutes a major part of the economic life of the assets and whether the present value of the minimum lease payments amounts to substantially all of the fair value of the assets. Considering the significant risks and rewards of ownership of these assets, the Establishment considers the lease of building.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the date of statement of financial position, 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:

4.2.1 Property and equipment

Property and equipment are depreciated over their estimated useful lives, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

4.2.2 Impairment of non-financial assets

The Establishment assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Establishment estimates the asset's recoverable amount.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model and requires estimation of the expected future cash flows from the asset (or of the cash-generating unit) in the forecasted period and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The discount rate reflects current market assessments of the time value of money and the risks specific to the asset.

5. Property and equipment

March 31, 2017

	Furniture and fixtures AED	Office equipment AED	Total AED
Cost			
As at March 31, 2016	74,888	44,739	119,627
Additions	23,384	5,534	28,918
Disposals	-	(399)	(399)
As at March 31, 2017	**98,272**	**49,874**	**148,146**
Accumulated depreciation			
As at March 31, 2016	(62,245)	(39,736)	(101,981)
On disposal	-	329	329
Depreciation for the year	(7,129)	(4,307)	(11,436)
As at March 31, 2017	**(69,374)**	**(43,714)**	**(113,088)**
Carrying amount			
As at March 31, 2017	**28,898**	**6,160**	**35,058**

March 31, 2016

	Furniture and fixtures AED	Office equipment AED	Total AED
Cost			
As at March 31, 2015	74,888	44,739	119,627
Additions	-	-	-
As at March 31, 2016	74,888	44,739	119,627
Accumulated depreciation			
As at March 31, 2015	(54,831)	(33,020)	(87,851)
Depreciation for the year	(7,414)	(6,716)	(14,130)
As at March 31, 2016	(62,245)	(39,736)	(101,981)
Carrying amount			
As at March 31, 2016	12,643	5,003	17,646

6. Inventories

	2017 AED	2016 AED
Stock of packing materials	155,357	112,707

7. Related party transactions

(a) Due from related party

	2017 AED	2016 AED
From entity under common management and control:		
Indian Oil Corporation Ltd, India	578,191	46,867
Presented in the statement of financial position as:		
Accounts and other receivables (Note 8)	578,191	46,867

The Establishment enters into transactions with parties that fall within the definition of a related party as contained in International Accounting Standard 24. Related parties comprise entities under common ownership and/or common management and control and key management personnel. The shareholder and the management decide on the terms and conditions of the transactions and services received/ rendered from/to related parties as well as on other charges. During the year, the Establishment entered into the following transactions with the related party:

	2017 AED	2016 AED
With shareholder:		
Purchases	2,024,958	11,682,349
Royalty	12,986	6,547
Business promotion expenses	238,483	197,083
With entity under common management and control		
Sales	-	230,278
Key management compensation		
Director's salaries and allowances	378,633	510,827

8. Accounts and other receivables

	2017 AED	2016 AED
Receivable from customers	4,129,340	4,794,001
Due from related party (Note 7(a))	578,191	46,867
	4,707,531	4,840,868
Deposits	19,866	20,506
Prepayments	143,426	127,052
	4,870,823	4,988,426

8. Accounts and other receivables (continued)

(a) Agewise analysis of accounts receivable

	2017	2016
	AED	AED
Not past due	**3,950,556**	4,205,356
Past due but not impaired:		
Less than 180 days	**178,784**	588,645
More than 180 days	**578,191**	46,867
	4,707,531	4,840,868

The average credit period is 60 days. No interest is being charged on accounts receivable. Of the accounts receivable balance at the end of the year, AED 2,961,815/- is due from Auto Parts Centre LLC, the Establishment's largest customer. There are 2 other customers who represent 9% to 15% of the total balance of accounts receivable.

Accounts receivable disclosed above include amounts (see above for aged analysis) that are past due at the end of the reporting period for which the Establishment has not recognized the allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Establishment does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Establishment to the counterparty.

(b) Geographical analysis of accounts receivable

	2017	2016
	AED	AED
Within UAE	**24,336**	-
Outside UAE	**4,683,195**	4,840,868
	4,707,531	4,840,868

9. Other financial assets

	2017	2016
	AED	AED
Fixed deposits	**16,885,329**	14,175,794
Margin deposits	**65,081**	65,081
	16,950,410	14,240,875

At the year end, the fixed deposits carried interest @1.50% to 1.90% per annum (2016: 1.55% to 1.75% per annum).

10. Cash and cash equivalents

	2017 AED	2016 AED
Bank balances:		
In current accounts	1,962,695	2,929,753

11. Provision for employees' end of service indemnity

	2017 AED	2016 AED
Opening balance	46,837	40,124
Charges for the year	6,695	6,713
	53,532	46,837

12. Accounts and other payables

	2017 AED	2016 AED
Payable to suppliers	3,505,418	5,410,619
Advance from customers	808,275	125,587
Accruals	100,824	21,000
Other payables*	446,460	80,000
	4,860,977	5,637,206

*This represents provisions created against sales promotion and branding expense.

Agewise analysis of accounts payable

	2017 AED	2016 AED
Less than 6 months	3,505,418	5,410,619

13. Revenue

	2017 AED	2016 AED
Trading revenue	26,128,498	35,585,766

14. Direct expenses

	2017 AED	2016 AED
Cost of goods sold	21,045,238	30,996,893
Freight charges	30,648	42,470
Royalty*	12,986	6,547
	21,088,872	31,045,910

*Royalty is paid to the parent Company for using the brand name "Servo" which is 3% of the sales by direct shipment from parent Company of such brand.

15. Other income

	2017 AED	2016 AED
Exchange rate gain	**315**	-
Miscellaneous	**68,566**	-
	68,881	-

16. General and administrative expenses

	2017 AED	2016 AED
Staff cost (Note 17)	**700,750**	677,707
Rent	**92,947**	93,080
License and professional	**126,295**	78,869
FZE and Visa	**76,478**	51,326
Bank charges	**8,278**	4,549
Office expenses	**10,970**	13,165
Repairs and maintenance	**1,618**	2,441
Sales promotion	**478,806**	396,426
Communications	**55,894**	55,599
Travelling overseas	**192,575**	106,293
Travelling local	**69,891**	80,609
Transfer expenses	**15,516**	-
Insurance	**29,477**	-
Loss on disposal of property and equipment	**70**	-
Exchange rate loss	-	569
Others	**24,571**	24,461
	1,884,136	1,585,094

17. Staff cost

	2017 AED	2016 AED
Salaries and allowances - MD	**378,633**	359,727
Salaries and allowances - Accountant	**144,020**	160,167
Staff benefits	**6,695**	6,713
Staff house rent	**141,103**	134,102
Medical expenses	**10,134**	8,035
School fee	**20,165**	8,963
	700,750	677,707

18. Finance income

	2017 AED	2016 AED
Interest received on fixed deposits	**241,535**	281,874

19. Contingent liability

	2017 AED	2016 AED
Labour guarantee	**65,081**	65,081

Labour guarantee represents the guarantee issued to JAFZA for getting employment visa.

20. Dividend

For the year 2016-17, dividend of AED 1,000,000/- (2015-16: AED 800,000/-) was declared representing 50% of the paid up share capital (2015-16: 40% of the paid up share capital) it was fully paid during the year.

In respect of the current year dividend, the Directors approved the dividend of 100% of the paid up share capital in the board meeting held on April 28, 2017, which is to be paid to the shareholder in the year 2017 - 2018.

21. Financial instruments and risk management

Details of significant policies and methods adopted including the criteria for recognition for the basis of measurement in respect of each class of financial assets and financial liabilities are disclosed in Note 3 to the financial statements.

Categories of financial instruments

	2017 AED	2016 AED
Financial assets		
Loans and receivables (less prepayments)	**21,677,807**	19,102,249
Cash and cash equivalents	**1,962,695**	2,929,753
	23,640,502	22,032,002
Financial liabilities		
Other financial liabilities (less advances)	**4,052,702**	5,511,619

21.1 Capital risk management

The capital is being managed by the Establishment in such a way that it is able to continue as a going concern while maximizing returns to investor. The Establishment's overall strategy remains unchanged from previous year.

21. Financial instruments and risk management (continued)

21.1 Capital risk management (continued)

The capital structure of the Establishment consists of equity of the Establishment comprising of capital and retained earnings.

As risk management policy, the Establishment reviews its cost of capital and risks associated with each class of capital. The Establishment balances its capital structure based on the above review.

21.2 Credit risk management

Credit risk in relation to the Establishment refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Establishment.

Key areas where the Establishment is exposed to credit risk are accounts and other receivables, bank balances and other financial assets (liquid assets).

The Establishment has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Establishment attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter-parties, and continually assessing the creditworthiness of such non-related counter-parties.

Details on concentration of accounts receivable balances are disclosed in Note 8. Management believes that the concentration of credit risk is mitigated by high credit worthiness and financial stability of its customers.

Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the Central Bank.

Accounts receivables, balances with banks and other financial assets are not secured by any collateral. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

21.3 Currency risk exposure

The Establishment's currency risk exposure relates to the exposure to the fluctuations in the foreign currency rates. There is no significant impact on USD as the UAE Dirham is pegged to the USD.

21.4 Interest rate risk

At March 31, 2017 the Establishment's exposure to interest rate risk relates to its fixed deposit with with fixed interest rates.

21. Financial instruments and risk management (continued)

21.5 Liquidity risk management

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

The Establishment manages the liquidity risk through risk management framework for the Establishment's short, medium and long term funding and liquidity requirements by maintaining adequate reserves and sufficient cash and cash equivalents to ensure that 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 end of the reporting period to the contractual maturity date. 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.

	Within 1 year
As at March 31, 2017	**AED**
Other financial liabilities (less advances)	4,052,702
As at March 31, 2016	
Other financial liabilities (less advances)	5,511,619

22. Segment information

Operating segment:

The Establishment operates in the following segment: trading of crude oil, lubricants, grease, fuel, tar, asphalt, petrochemicals and refined oil products.

Geographical segment:

The Establishment operates in the following geographical segment: Middle East and Africa.

23. Fair value of financial instruments

The fair values of financial instruments approximate their carrying values except as otherwise disclosed in these financial statements.

24. Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation.