

**IOC MIDDLE EAST FZE  
FINANCIAL STATEMENTS AND REPORTS  
FOR THE YEAR ENDED 31 MARCH 2020**

**IOC MIDDLE EAST FZE  
FINANCIAL STATEMENTS AND REPORTS  
FOR THE YEAR ENDED 31 MARCH 2020**

---

<b>Contents</b>	<b>Pages</b>
Directors' report	1
Independent auditor's report	2 - 4
Statement of financial position	5
Statement of profit or loss and other comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9 - 26

SJ/350/MAY/2020

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF  
IOC MIDDLE EAST FZE**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of IOC Middle East FZE, Jebel Ali Free Zone, Dubai - U.A.E ('the Establishment'), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Establishment as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Establishment in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF  
IOC MIDDLE EAST FZE (Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF**

**IOC MIDDLE EAST FZE (Continued)**

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

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

**Report on Other Legal and Regulatory Requirements**

We further confirm that the financial statements comply with the Jebel Ali Free Zone Companies Implementing Regulations 2016. Also, in our opinion, proper books of account and other records have been maintained in accordance with the said Regulations.

Dubai  
7 May 2020



Raju Menon  
Reg. No : 271

**Kreston Menon Chartered Accountants**



**IOC MIDDLE EAST FZE**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2020**

	<b>Note</b>	<b><u>31.03.2020</u></b> <b><u>AED</u></b>	<b><u>31.03.2019</u></b> <b><u>AED</u></b>
<b>Assets</b>			
<b><i>Non-current assets</i></b>			
Property and equipment	4	16,791	23,109
<b><i>Current assets</i></b>			
Inventories	5	78,621	208,921
Trade and other receivables	6	6,312,458	4,720,174
Due from related parties	7	1,578,814	1,262,331
Other current financial assets	8	20,094,206	19,811,461
Cash and cash equivalents	9	3,848,259	1,342,768
<b>Total current assets</b>		<b>31,912,358</b>	<b>27,345,655</b>
<b>Total assets</b>		<b><u>31,929,149</u></b>	<b><u>27,368,764</u></b>
<b>Shareholder's equity and liabilities</b>			
<b><i>Shareholder's equity</i></b>			
Share capital	10	2,000,000	2,000,000
Retained earnings		19,713,696	19,309,870
<b>Total shareholder's equity</b>		<b>21,713,696</b>	<b>21,309,870</b>
<b><i>Non-current liabilities</i></b>			
Provision for employees' end of service benefits	11	77,309	70,261
<b><i>Current liabilities</i></b>			
Trade and other payables	12	10,138,144	5,988,633
<b>Total liabilities</b>		<b>10,215,453</b>	<b>6,058,894</b>
<b>Total shareholder's equity and liabilities</b>		<b><u>31,929,149</u></b>	<b><u>27,368,764</u></b>

The accompanying notes on pages 9 to 26 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 7 May 2020.

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 2020**

	<b>Note</b>	<b><u>31.03.2020</u></b> <b><u>AED</u></b>	<b><u>31.03.2019</u></b> <b><u>AED</u></b>
<b>Revenue</b>	13	23,801,543	26,908,635
Cost of sales	14	<u>(20,592,781)</u>	<u>(23,374,590)</u>
<b>Gross profit</b>		3,208,762	3,534,045
Other income	15	650,074	366,274
Administrative expenses	16	(1,845,667)	(1,656,518)
Marketing and branding expenses	17	<u>(609,343)</u>	<u>(188,491)</u>
<b>Profit for the year</b>		<b>1,403,826</b>	<b>2,055,310</b>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u>1,403,826</u></b>	<b><u>2,055,310</u></b>

The accompanying notes on pages 9 to 26 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 CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2020**

	<u>Share capital</u> <u>AED</u>	<u>Retained earnings</u> <u>AED</u>	<u>Total</u> <u>AED</u>
Balance as at 1 April 2018	2,000,000	19,254,560	21,254,560
Total comprehensive income for the year	-	2,055,310	2,055,310
Dividend paid (Note 7 & 19)	-	(2,000,000)	(2,000,000)
<b>Balance as at 31 March 2019</b>	<b>2,000,000</b>	<b>19,309,870</b>	<b>21,309,870</b>
Total comprehensive income for the year	-	1,403,826	1,403,826
Dividend paid (Note 7 & 19)	-	(1,000,000)	(1,000,000)
<b>Balance as at 31 March 2020</b>	<b>2,000,000</b>	<b>19,713,696</b>	<b>21,713,696</b>

The accompanying notes on pages 9 to 26 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 2020**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
<b>Cash flows from operating activities</b>		
Profit for the year	1,403,826	2,055,310
Adjustments for:		
Depreciation on property and equipment	13,218	14,868
Provision for employees' end of service benefits	7,048	7,029
Reversal of provision for marketing & business promotion	(150,000)	-
Interest income	(494,562)	(361,926)
<b>Operating cash flows before changes in working capital</b>	<b>779,530</b>	<b>1,715,281</b>
Decrease in inventories	130,300	8,197
Increase in trade and other receivables	(1,592,284)	(616,996)
Increase in due from related parties	(316,483)	(830,607)
Increase in trade and other payables	4,299,511	1,247,241
<b>Net cash generated from operating activities</b>	<b>3,300,574</b>	<b>1,523,116</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(6,900)	-
(Increase)/decrease in other current financial assets	(282,745)	1,081,828
Interest income	494,562	361,926
<b>Net cash generated from investing activities</b>	<b>204,917</b>	<b>1,443,754</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(1,000,000)	(2,000,000)
<b>Net cash used in financing activities</b>	<b>(1,000,000)</b>	<b>(2,000,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,505,491</b>	<b>966,870</b>
Cash and cash equivalents at beginning of year	1,342,768	375,898
<b>Cash and cash equivalents at end of year (Note 9)</b>	<b><u>3,848,259</u></b>	<b><u>1,342,768</u></b>

The accompanying notes on pages 9 to 26 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

---

**1. GENERAL INFORMATION**

IOC Middle East FZE ('the Establishment') was initially formed and registered with 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 Ltd, 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.

IFRS 16: Leases

Amendments to IFRS 9: Financial Instruments - Amendments regarding Prepayment Features with Negative Compensation

Amendments to IAS 19: Employee Benefits - Amendments regarding Employee Benefit Plan, Curtailment or Settlement

Amendments to IAS 28: Investment in Associates and Joint Ventures - Amendments regarding long-term interests in Associates and Joint Ventures

Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23: Amendments resulting from Annual Improvements 2015-17 cycle

The following Standards, amendments thereto and interpretations have been issued prior to 31 March 2020 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.



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

---

IFRS 17: Insurance Contracts - 1 January 2021

Amendments to IFRS 3: Business Combinations - Amendments to clarify the definition of a Business - 1 January 2020

Amendments to IFRS 9, IAS 39 and IFRS 7: Amendments requiring additional disclosures around uncertainty arising from the interest rate benchmark reform - 1 January 2020

Amendments to IAS 1 and IAS 8: Amendments regarding the definition of Material - 1 January 2020

Amendments to References to the Conceptual Framework in IFRS Standards - 1 January 2020

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

**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 :



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

---

	<b>Years</b>
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 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 right-of-use assets and corresponding lease liabilities 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.

## **2.7 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. 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.



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

---

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.

**2.8 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.

**2.9 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 ("FVOCI") – debt investment; fair value through other comprehensive income ("FVOCI") – 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.

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.



## IOC MIDDLE EAST FZE

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2020

---

##### ***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.

##### **2.10 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)
- Cash and cash equivalents
- Other current financial assets, and
- Due from related parties

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.

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.



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

---

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.

**2.11 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.

**2.12 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.

**2.13 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.

**2.14 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.

**2.15 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.



## **IOC MIDDLE EAST FZE**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 MARCH 2020**

---

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.

#### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods and issuance of the invoice to customers. Payment of the transaction price is due immediately when its 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.

#### *Trade margin*

Trade margin is recognised when the significant risks and rewards of ownership of the goods have passed from the seller to the buyer, usually on delivery of the goods.



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

---

**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.

*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 and 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.



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

---

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 assets 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.



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**4. PROPERTY AND EQUIPMENT**

	<b><u>Furniture &amp; fixtures</u></b>	<b><u>Office equipment</u></b>	<b><u>Total</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>	<b><u>AED</u></b>
<b>Cost</b>			
At 1 April 2018	111,776	57,479	169,255
At 31 March 2019	111,776	57,479	169,255
Additions	6,900	-	6,900
At 31 March 2020	118,676	57,479	176,155
<b>Accumulated depreciation</b>			
At 1 April 2018	83,212	48,066	131,278
Charge for the year (Note 16)	11,584	3,284	14,868
At 31 March 2019	94,796	51,350	146,146
Charge for the year (Note 16)	9,924	3,294	13,218
At 31 March 2020	104,720	54,644	159,364
<b>Carrying amount</b>			
<b>At 31 March 2020</b>	<b>13,956</b>	<b>2,835</b>	<b>16,791</b>
At 31 March 2019	16,980	6,129	23,109



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**5. INVENTORIES**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Packing materials (Note 14)	78,621	208,921

**6. TRADE AND OTHER RECEIVABLES**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Trade receivables	5,619,250	4,286,271
Accrued interest	413,685	193,866
Prepayments	179,909	165,817
VAT receivable	74,155	53,664
Refundable deposits	25,459	20,556
	<b><u>6,312,458</u></b>	<b><u>4,720,174</u></b>

Trade receivables are non-interest bearing and are generally on 60 days 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:

	<b><u>0 to 60</u></b>	<b><u>61 to 180</u></b>	<b><u>181 to 365</u></b>	
	<b><u>days</u></b>	<b><u>days</u></b>	<b><u>days</u></b>	<b><u>Total</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>	<b><u>AED</u></b>	<b><u>AED</u></b>
<b>2020</b>				
Gross receivables	2,605,023	2,802,339	211,888	5,619,250
Provision (%)	0.00%	0.00%	0.00%	0.00%
Provision	-	-	-	-
Net receivables	<b><u>2,605,023</u></b>	<b><u>2,802,339</u></b>	<b><u>211,888</u></b>	<b><u>5,619,250</u></b>
<b>2019</b>				
Gross receivables	3,736,263	550,008	-	4,286,271
Provision (%)	0.00%	0.00%	0.00%	0.00%
Provision	-	-	-	-
Net receivables	<b><u>3,736,263</u></b>	<b><u>550,008</u></b>	<b><u>-</u></b>	<b><u>4,286,271</u></b>

**7. RELATED PARTY TRANSACTIONS AND BALANCES**

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. Balances and transactions between the Establishment and its related parties are described below. Balances and transactions with related parties were entered into on terms as agreed by the management.



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

The ultimate parent and controlling party is Indian Oil Corporation Ltd which is incorporated in India. During the year, the Establishment entered into the following transactions with related parties:

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Purchases (Note 14)	6,631,840	4,030,930
Royalty fees (Note 14)	191,028	26,264
Trade margin (Note 13)	150,783	69,631
Dividend paid (Note 19)	1,000,000	2,000,000

**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 period is shown below:

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Salaries and allowances	492,957	491,400
Other benefits	256,371	152,095
	<b>749,328</b>	<b>643,495</b>

Compensation of key managerial personnel is included in the employee costs (Note 18).

The following balances were outstanding at the end of the reporting period :

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
<b>Due from related parties</b>		
<b>Parent company</b>		
Indian Oil Corporation Ltd, India	<b>(A)</b> 1,279,210	830,607
<b>Under common control</b>		
Indian Oil Corporation, Sri Lanka	<b>(B)</b> 299,604	431,724
	<b>(A+B)</b> 1,578,814	1,262,331

The above related party balances are unsecured and are expected to be settled by cash.

**8. OTHER CURRENT FINANCIAL ASSETS**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Fixed deposits	20,021,125	19,746,380
Margin deposit	73,081	65,081
	<b>20,094,206</b>	<b>19,811,461</b>



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**9. CASH AND CASH EQUIVALENTS**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Cash at bank : Current accounts	3,848,259	1,342,768

**10. SHARE CAPITAL**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Authorised, issued and fully paid;		
2 ordinary shares of AED 1,000,000 each	2,000,000	2,000,000

**11. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Balance at the beginning of the year	70,261	63,232
Provision made during the year (Note 18)	7,048	7,029
Balance at the end of the year	77,309	70,261

**12. TRADE AND OTHER PAYABLES**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Trade payables	9,336,008	5,651,283
Advance from customers	670,046	317,040
Other payables	132,090	20,310
	10,138,144	5,988,633

Trade payables include payable to a related party amounting to AED 2,184,022 (2019 : AED 1,561,525).

**13. REVENUE**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
<b>At a point in time :</b>		
Revenue from sale of goods	23,801,543	26,908,635

Revenue from sale of goods includes AED 150,783 (2019 : AED 69,631) margin earned for sales made by a related party on behalf of the Establishment (Note 7).



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**14. COST OF SALES**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Opening inventories	208,921	217,118
Purchases	20,249,549	23,332,795
Less : Closing inventories (Note 5)	(78,621)	(208,921)
	<u>20,379,849</u>	<u>23,340,992</u>
Royalty fees (Note 7)	191,028	26,264
Freight charges	<u>21,904</u>	<u>7,334</u>
	<u><u>20,592,781</u></u>	<u><u>23,374,590</u></u>

The above purchases include purchases from related parties amounting to AED 6,631,840 (2019 : AED 4,030,930) (Note 7).

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 the said brand.

**15. OTHER INCOME**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Interest income	494,562	361,926
Reversal of excess provision for marketing & business promotion	150,000	-
Exchange gain	<u>5,512</u>	<u>4,348</u>
	<u><u>650,074</u></u>	<u><u>366,274</u></u>

**16. ADMINISTRATIVE EXPENSES**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Employee costs (Note 18)	933,053	823,976
Travelling expenses	274,718	256,665
Legal and professional fees	205,516	285,435
Expenses on short term lease	93,521	93,080
Communication	76,650	64,926
Insurance	71,950	45,818
Bank charges	52,249	13,465
Office expenses	23,670	15,919
Depreciation on property and equipment (Note 4)	13,218	14,868
Membership fees	8,804	7,784
Miscellaneous expenses	<u>92,318</u>	<u>34,582</u>
	<u><u>1,845,667</u></u>	<u><u>1,656,518</u></u>



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**17. MARKETING AND BRANDING EXPENSES**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Sales commission	289,575	6,606
Branding expenses	217,263	129,083
Marketing and business promotion	102,505	52,802
	<u>609,343</u>	<u>188,491</u>

**18. EMPLOYEE COSTS**

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Salaries and allowances	669,634	664,852
End of service benefits (Note 11)	7,048	7,029
Other benefits	256,371	152,095
	<u>933,053</u>	<u>823,976</u>

Managerial remuneration is included in the above employee costs (Note 7).

The entire employee costs have been allocated to administrative expenses (Note 16).

**19. DIVIDEND**

During the year, a dividend of AED 1,000,000 (2019 : AED 2,000,000) was declared and paid (Note 7).

**20. FINANCIAL INSTRUMENTS**

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

	<b><u>At amortised cost</u></b>	
	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
<b>Financial assets</b>	<b><u>AED</u></b>	<b><u>AED</u></b>
Trade and other receivables (excluding prepayments) (Note 6)	6,132,549	4,554,357
Due from related parties (Note 7)	1,578,814	1,262,331
Other current financial assets (Note 8)	20,094,206	19,811,461
Cash and cash equivalents (Note 9)	3,848,259	1,342,768
	<u>31,653,828</u>	<u>26,970,917</u>

	<b><u>At amortised cost</u></b>	
	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
<b>Financial liabilities</b>	<b><u>AED</u></b>	<b><u>AED</u></b>
Trade and other payables (excluding advance from customers) (Note 12)	9,468,098	5,671,593



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

---

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 2.9 to the financial statements.

**21. 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, net of cash and cash equivalents.

**22. 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.

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).



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

---

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. If the interest rate had strengthened by 1% against the effective rate with all other variables held constant, profit for the year would have been AED 200,211 (2019 : AED 197,463) higher.

**(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 risks**

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 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.

	<b><u>Less than 1 year</u></b>	
	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
Trade and other payables (excluding advance from customers)		
(Note 12)	<u>9,468,098</u>	<u>5,671,593</u>



**IOC MIDDLE EAST FZE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

---

**23. 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.

**24. CONTINGENT LIABILITIES**

Details of the commitments and outstanding contingent liabilities of the Establishment which are in the normal course of the business activities are as follows:

	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
	<b><u>AED</u></b>	<b><u>AED</u></b>
<b>Contingent liabilities</b>		
Labour guarantee (Note 8)	<u>73,081</u>	<u>65,081</u>

**25. COMPARATIVE FIGURES**

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

\*\*\*\*\*

