

IOC MIDDLE EAST FZE
FINANCIAL STATEMENTS AND REPORTS
FOR THE YEAR ENDED 31 MARCH 2021

**IOC MIDDLE EAST FZE
FINANCIAL STATEMENTS AND REPORTS
FOR THE YEAR ENDED 31 MARCH 2021**

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IOC MIDDLE EAST FZE

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The Directors submit their report together with the audited financial statements of IOC Middle East FZE ('the Establishment'), for the year ended 31 March 2021.

Principal activity

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

Financial results and appropriations

The financial results of the Establishment for the year ended 31 March 2021 are set out in the statement of profit or loss and other comprehensive income.

A dividend of AED 700,000 (2020 : AED 1,000,000) was paid during the year.

Events after the reporting period

There are no significant events after the reporting period.

Shareholder and its interest

Indian Oil Corporation Limited, a company incorporated in India holds 100% of the issued share capital of the Establishment as at the reporting date.

Directors

The Directors who served during the year are as follows:

1. Gurmeet Singh
2. Sandeep Kumar Gupta (resigned with effect from 5 May 2020)
3. Subodh Dakwale
4. Sandeep Jain
5. Subramanya Venu Prabhakar Vadlamani (Managing Director)
6. Debasish Roy (appointed with effect from 3 June 2020)

Auditors

The financial statements have been audited by Kreston Menon Chartered Accountants, who retire and, being eligible, offer themselves for reappointment.

On behalf of Board of Directors,



Subramanya Venu Prabhakar Vadlamani

Managing Director

3 May 2021



AS/350/MAY/2021

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

Report on the Audit of the Financial Statements

Qualified 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 2021, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Establishment as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

We draw attention to Note 8 to the financial statements – Related party transactions and balances. Due from related parties include an amount of AED 417,044, that is subject to conditions which indicate that it might not be recoverable. Management believes that an allowance is not required at the reporting date and this balance is recoverable in full. However, management has not provided us with any evidence to support the recoverability of this balance. Accordingly, we were unable to assess the amount of impairment allowance required with respect to due from related parties as at 31 March 2021.

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 qualified 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.

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

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.

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.

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

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

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Establishment to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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
3 May 2021



Raju Menon
Reg. No : 271
Kreston Menon Chartered Accountants

IOC MIDDLE EAST FZE
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

| | Note | <u>31.03.2021</u> <u>AED</u> | <u>31.03.2020</u> <u>AED</u> |
|---|------|---------------------------------|---------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | 4 | 7,776 | 16,791 |
| Investment in joint venture | 5 | 22,020 | - |
| Total non-current assets | | <u>29,796</u> | <u>16,791</u> |
| Current assets | | | |
| Inventories | 6 | 55,178 | 78,621 |
| Trade and other receivables | 7 | 2,439,509 | 6,312,458 |
| Due from related parties | 8 | 978,150 | 1,578,814 |
| Other current financial assets | 9 | 18,777,677 | 20,094,205 |
| Cash and cash equivalents | 10 | 1,027,475 | 3,848,259 |
| Total current assets | | <u>23,277,989</u> | <u>31,912,358</u> |
| Total assets | | <u>23,307,785</u> | <u>31,929,149</u> |
| Shareholder's equity and liabilities | | | |
| Shareholder's equity | | | |
| Share capital | 11 | 2,000,000 | 2,000,000 |
| Retained earnings | | 18,867,256 | 19,713,696 |
| Total shareholder's equity | | <u>20,867,256</u> | <u>21,713,696</u> |
| Non-current liabilities | | | |
| Provision for employees' end of service benefits | 12 | 91,190 | 77,309 |
| Current liabilities | | | |
| Trade and other payables | 13 | 2,349,339 | 10,138,144 |
| Total liabilities | | <u>2,440,529</u> | <u>10,215,453</u> |
| Total shareholder's equity and liabilities | | <u>23,307,785</u> | <u>31,929,149</u> |

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

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

Authorised for issue by the Board of Directors on 3 May 2021.

For IOC Middle East FZE


Subramanya Venu Prashakar Vedula
Managing Director



IOC MIDDLE EAST FZE

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

| | Note | <u>31.03.2021</u> <u>AED</u> | <u>31.03.2020</u> <u>AED</u> |
|--|-------------|---|---|
| Revenue | 14 | 8,455,731 | 23,650,760 |
| Cost of sales | 15 | <u>(7,198,588)</u> | <u>(20,592,781)</u> |
| Gross profit | | 1,257,143 | 3,057,979 |
| Other income | 16 | 451,010 | 800,857 |
| Administrative expenses | 17 | (1,633,525) | (1,845,667) |
| Marketing and branding expenses | 18 | <u>(221,068)</u> | <u>(609,343)</u> |
| (Loss)/profit for the year | | <u>(146,440)</u> | <u>1,403,826</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | | <u><u>(146,440)</u></u> | <u><u>1,403,826</u></u> |

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

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



IOC MIDDLE EAST FZE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

| | <u>Share capital AED</u> | <u>Retained earnings AED</u> | <u>Total AED</u> |
|---|----------------------------------|--------------------------------------|----------------------|
| Balance as at 1 April 2019 | 2,000,000 | 19,309,870 | 21,309,870 |
| Total comprehensive income for the year | - | 1,403,826 | 1,403,826 |
| Dividend paid (Note 8 & 20) | - | (1,000,000) | (1,000,000) |
| Balance as at 31 March 2020 | 2,000,000 | 19,713,696 | 21,713,696 |
| Total comprehensive income for the year | - | (146,440) | (146,440) |
| Dividend paid (Note 8 & 20) | - | (700,000) | (700,000) |
| Balance as at 31 March 2021 | 2,000,000 | 18,867,256 | 20,867,256 |

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

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



IOC MIDDLE EAST FZE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|---|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Cash flows from operating activities | | |
| (Loss)/profit for the year | (146,440) | 1,403,826 |
| Adjustments for: | | |
| Related party balances written off | 239,544 | - |
| Provision for employees' end of service benefits | 13,881 | 7,048 |
| Depreciation on property and equipment | 12,865 | 13,218 |
| Interest income | (298,290) | (494,562) |
| Write back of liabilities no longer payable | (48,327) | - |
| Reversal of provision for marketing and business promotion | - | (150,000) |
| Operating cash flows before changes in working capital | (226,767) | 779,530 |
| Decrease in inventories | 23,443 | 130,300 |
| Decrease/(increase) in trade and other receivables | 3,619,685 | (1,372,464) |
| Decrease/(increase) in due from related parties | 361,120 | (316,483) |
| (Decrease)/increase in trade and other payables | (7,740,478) | 4,299,511 |
| Net cash (used in)/generated from operating activities | (3,962,997) | 3,520,394 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (3,850) | (6,900) |
| Decrease/(increase) in other current financial assets | 1,316,529 | (282,745) |
| Investment in joint venture | (22,020) | - |
| Interest income received | 551,554 | 274,742 |
| Net cash generated from/(used in) investing activities | 1,842,213 | (14,903) |
| Cash flows from financing activities | | |
| Dividend paid | (700,000) | (1,000,000) |
| Net cash used in financing activities | (700,000) | (1,000,000) |
| Net (decrease)/increase in cash and cash equivalents | (2,820,784) | 2,505,491 |
| Cash and cash equivalents at beginning of year | 3,848,259 | 1,342,768 |
| Cash and cash equivalents at end of year (Note 10) | <u>1,027,475</u> | <u>3,848,259</u> |

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

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



IOC MIDDLE EAST FZE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 Limited, India.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

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

2.2 Statement of compliance

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

2.3 Adoption of new and revised International Financial Reporting Standards

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

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

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

Amendments to revised Conceptual Framework for Financial Reporting

Amendments to IFRS 9, IAS 39 and IFRS 7: Amendments regarding interest rate benchmark reform.

The following Standards, amendments thereto and interpretations have been issued prior to 31 March 2021 but have not been applied in these financial statements as their effective dates of adoption are for future periods. It is anticipated that their adoption in the relevant accounting periods will have impact only on disclosures within the financial statements.

IFRS 17: Insurance Contracts - 1 January 2023

Amendment to IFRS 16 - COVID-19-Related Rent Concessions-1 June 2020



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Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16- Interest Rate Benchmark Reform – Phase 2- 1 January 2021

Amendments to IAS 37- Onerous Contracts – Cost of Fulfilling a Contract- 1 January 2022

Amendments to IAS 16- Property, Plant and Equipment: Proceeds before Intended Use – 1 January 2022

Amendments to IFRS 3 - Reference to the Conceptual Framework – 1 January 2022

Annual Improvements to IFRS Standards 2018–2020- 1 January 2022

Amendments to IAS 1- Classification of Liabilities as Current or Non-current - 1 January 2023

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
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| | Years |
|----------------------|--------------|
| Furniture & fixtures | 4 |
| Office equipment | 4 |

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

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

2.6 Investment in joint venture

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

The investment in joint venture is accounted for at cost less impairment losses, if any.

2.7 Leases

The Establishment as a lessee

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

2.8 Impairment of tangible assets

At the end of each reporting period, the Establishment reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Establishment estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.



IOC MIDDLE EAST FZE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9 Inventories

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

2.10 Financial instruments

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

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

Financial assets

A financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("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.



IOC MIDDLE EAST FZE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

Financial assets at amortised cost

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

The Establishment derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

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

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

2.11 Impairment of financial assets

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

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

- Trade and other receivables (excluding prepayments)
- 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.



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

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

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

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

2.12 Cash and cash equivalents

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

2.13 Value Added Tax (VAT) payable/receivable

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

2.14 Provisions

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

2.15 Provision for employees' end of service benefits

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



IOC MIDDLE EAST FZE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

2.16 Revenue recognition

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

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

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

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer goods to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Establishment expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Establishment will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Establishment expects to be entitled in exchange for satisfying each performance obligation.

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

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

1. The customer simultaneously receives and consumes the benefits provided by the Establishment's performance as the Establishment performs; or
2. The Establishment's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Establishment's performance does not create an asset with an alternative use to the Establishment and the Establishment has an enforceable right to payment for performance completed to date.

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

When the Establishment satisfies a performance obligation by delivering the promised goods, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.



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Sale of goods

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

Interest income

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

Commission income

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

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Depreciation of property and equipment

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

b) Impairment of non-financial assets

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



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c) Inventory provisions

The Establishment reviews the carrying amounts of the inventories at the end of the reporting period and assesses the likely realisation proceeds taken into account, the age of inventory, estimated future demand for various items in the inventory 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. 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.



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4. PROPERTY AND EQUIPMENT

| | <u>Furniture & fixtures</u> | <u>Office equipment</u> | <u>Total</u> |
|---------------------------------|--|------------------------------------|---------------------|
| | <u>AED</u> | <u>AED</u> | <u>AED</u> |
| Cost | | | |
| At 1 April 2019 | 111,776 | 57,479 | 169,255 |
| Addition | 6,900 | - | 6,900 |
| At 31 March 2020 | 118,676 | 57,479 | 176,155 |
| Addition | - | 3,850 | 3,850 |
| At 31 March 2021 | 118,676 | 61,329 | 180,005 |
| Accumulated depreciation | | | |
| At 1 April 2019 | 94,796 | 51,350 | 146,146 |
| Charge for the year (Note 17) | 9,924 | 3,294 | 13,218 |
| At 31 March 2020 | 104,720 | 54,644 | 159,364 |
| Charge for the year (Note 17) | 9,255 | 3,610 | 12,865 |
| At 31 March 2021 | 113,975 | 58,254 | 172,229 |
| Carrying amount | | | |
| At 31 March 2021 | <u>4,701</u> | <u>3,075</u> | <u>7,776</u> |
| At 31 March 2020 | <u>13,956</u> | <u>2,835</u> | <u>16,791</u> |



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5. INVESTMENT IN JOINT VENTURE

| | | <u>31.03.2021</u> <u>AED</u> | <u>31.03.2020</u> <u>AED</u> |
|---|--|---|---|
| At cost: | <u>% of</u> <u>shareholding</u> | | |
| <i>Beximco IOC Petroleum & Energy Limited</i> | | | |
| Addition during the year | 50% | <u>22,020</u> | <u>-</u> |

The Establishment has invested in 50% of the share capital of Beximco IOC Petroleum & Energy Limited, a company incorporated in Bangladesh on 28 September 2020. The Establishment has joint control over the venture along with RR Holdings Limited, a company incorporated in United Arab Emirates. During the period, the joint venture has not commenced its business activities.

6. INVENTORIES

| | <u>31.03.2021</u> <u>AED</u> | <u>31.03.2020</u> <u>AED</u> |
|-----------------------------|---|---|
| Packing materials (Note 15) | <u>55,178</u> | <u>78,621</u> |

7. TRADE AND OTHER RECEIVABLES

| | <u>31.03.2021</u> <u>AED</u> | <u>31.03.2020</u> <u>AED</u> |
|---------------------|---|---|
| Trade receivables | 1,930,579 | 5,619,250 |
| Prepayments | 242,582 | 179,909 |
| Accrued interest | 160,421 | 413,685 |
| VAT receivable | 81,856 | 74,155 |
| Refundable deposits | <u>24,071</u> | <u>25,459</u> |
| | <u>2,439,509</u> | <u>6,312,458</u> |

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

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

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

| | <u>0 to 60</u> <u>days</u> <u>AED</u> | <u>61 to 180</u> <u>days</u> <u>AED</u> | <u>181 to 365</u> <u>days</u> <u>AED</u> | <u>Total</u> <u>AED</u> |
|-------------------|--|--|---|--|
| 2021 | | | | |
| Gross receivables | 1,575,029 | 355,450 | 100 | 1,930,579 |
| Provision % | 0.00% | 0.00% | 0.00% | 0.00% |
| Provision | - | - | - | - |
| Net receivables | <u>1,575,029</u> | <u>355,450</u> | <u>100</u> | <u>1,930,579</u> |



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| | <u>0 to 60</u> <u>days</u> <u>AED</u> | <u>61 to 180</u> <u>days</u> <u>AED</u> | <u>181 to 365</u> <u>days</u> <u>AED</u> | <u>Total</u> <u>AED</u> |
|-------------------|---|---|--|----------------------------|
| 2020 | | | | |
| 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 | <u>2,605,023</u> | <u>2,802,339</u> | <u>211,888</u> | <u>5,619,250</u> |

8. 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.

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

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

| | <u>31.03.2021</u> <u>AED</u> | <u>31.03.2020</u> <u>AED</u> |
|--|---------------------------------|---------------------------------|
| <i>Parent company :</i> | | |
| Purchases (Note 15) | <u>655,900</u> | <u>6,631,840</u> |
| Royalty fees (Note 15) | <u>19,677</u> | <u>191,028</u> |
| Related party balances written off (Note 17) | <u>239,544</u> | <u>-</u> |
| Dividend paid (Note 20) | <u>700,000</u> | <u>1,000,000</u> |
| <i>Under common control :</i> | | |
| Revenue (Note 14) | <u>340,576</u> | <u>-</u> |

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:

| | <u>31.03.2021</u> <u>AED</u> | <u>31.03.2020</u> <u>AED</u> |
|-------------------------|---------------------------------|---------------------------------|
| Salaries and allowances | <u>496,599</u> | <u>492,957</u> |
| Other benefits | <u>164,586</u> | <u>256,371</u> |
| | <u>661,185</u> | <u>749,328</u> |

Compensation of key managerial personnel is included in the employee costs (Note 19).



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

| | | <u>31.03.2021</u> | <u>31.03.2020</u> |
|---|--------------|--------------------------|--------------------------|
| | | <u>AED</u> | <u>AED</u> |
| Due from related parties | | | |
| <i>Parent company :</i> | | | |
| Indian Oil Corporation Limited, India | (A) | 220,530 | 1,279,210 |
| <i>Under common control :</i> | | | |
| Indian Oil Corporation, Sri Lanka | | 417,044 | 299,604 |
| Indian Oil (Mauritius) Limited, Mauritius | | 340,576 | - |
| | (B) | 757,620 | 299,604 |
| Total | (A+B) | 978,150 | 1,578,814 |

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

9. OTHER CURRENT FINANCIAL ASSETS

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|----------------|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Fixed deposits | 18,704,556 | 20,021,125 |
| Margin deposit | 73,121 | 73,081 |
| | <u>18,777,677</u> | <u>20,094,206</u> |

10. CASH AND CASH EQUIVALENTS

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|---------------------------------|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Cash at bank : Current accounts | <u>1,027,475</u> | <u>3,848,259</u> |

11. SHARE CAPITAL

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|---|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Authorised, issued and fully paid; | | |
| 2 ordinary shares of AED 1,000,000 each | <u>2,000,000</u> | <u>2,000,000</u> |

12. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|--|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Balance at the beginning of the year | 77,309 | 70,261 |
| Provision made during the year (Note 19) | 13,881 | 7,048 |
| Balance at the end of the year | <u>91,190</u> | <u>77,309</u> |



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13. TRADE AND OTHER PAYABLES

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|------------------------|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Trade payables | 2,203,056 | 9,336,008 |
| Advance from customers | 115,047 | 670,046 |
| Other payables | 31,236 | 132,090 |
| | <u>2,349,339</u> | <u>10,138,144</u> |

Trade payables include payable to a related party amounting to AED 338,440 (2020 : AED 2,184,022).

14. REVENUE

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|---------------------------------------|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| At a point in time : | | |
| Revenue from sale of goods | <u>8,455,731</u> | <u>23,650,760</u> |
| An analysis of revenue is as follows: | | |
| Related parties (Note 8) | 340,576 | - |
| Others | <u>8,115,155</u> | <u>23,650,760</u> |
| | <u>8,455,731</u> | <u>23,650,760</u> |

15. COST OF SALES

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|-------------------------------------|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Opening inventories | 78,621 | 208,921 |
| Purchases | 7,093,263 | 20,249,549 |
| Less : Closing inventories (Note 6) | <u>(55,178)</u> | <u>(78,621)</u> |
| | 7,116,706 | 20,379,849 |
| Royalty fees (Note 8) | 19,677 | 191,028 |
| Freight charges | <u>62,205</u> | <u>21,904</u> |
| | <u>7,198,588</u> | <u>20,592,781</u> |

The above purchases include purchases from parent company amounting to AED 655,900 (2020 : AED 6,631,840) (Note 8).

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.



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16. OTHER INCOME

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|---|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Interest income | 298,290 | 494,562 |
| Commission | 104,393 | 150,783 |
| Write back of liabilities no longer payable | 48,327 | - |
| Reversal of excess provision for marketing and business promotion | - | 150,000 |
| Exchange gain | - | 5,512 |
| | <u>451,010</u> | <u>800,857</u> |

17. ADMINISTRATIVE EXPENSES

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|---|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Employee costs (Note 19) | 865,450 | 933,053 |
| Related party balances written off (Note 8) | 239,544 | - |
| Insurance | 100,241 | 71,950 |
| Expenses on short term lease | 92,948 | 93,521 |
| Travelling expenses | 80,811 | 274,718 |
| Legal and professional fees | 78,398 | 205,516 |
| Communication | 57,561 | 76,650 |
| Bank charges | 34,558 | 52,249 |
| Office expenses | 31,007 | 23,670 |
| Depreciation on property and equipment (Note 4) | 12,865 | 13,218 |
| Membership fees | 7,369 | 8,804 |
| Exchange loss | 4,658 | - |
| Miscellaneous expenses | 28,115 | 92,318 |
| | <u>1,633,525</u> | <u>1,845,667</u> |

18. MARKETING AND BRANDING EXPENSES

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|----------------------------------|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Branding expenses | 187,246 | 217,263 |
| Marketing and business promotion | 30,527 | 102,505 |
| Sales commission | 3,295 | 289,575 |
| | <u>221,068</u> | <u>609,343</u> |



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19. EMPLOYEE COSTS

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|-----------------------------------|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Salaries and allowances | 686,983 | 669,634 |
| End of service benefits (Note 12) | 13,881 | 7,048 |
| Other benefits | 164,586 | 256,371 |
| | <u>865,450</u> | <u>933,053</u> |

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

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

20. DIVIDEND

During the year, a dividend of AED 700,000 (2020 : AED 1,000,000) was declared and paid (Note 8).

21. FINANCIAL INSTRUMENTS

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

| | <u>At amortised cost</u> | |
|--|---------------------------------|--------------------------|
| | <u>31.03.2021</u> | <u>31.03.2020</u> |
| | <u>AED</u> | <u>AED</u> |
| Financial assets | | |
| Trade and other receivables (excluding prepayments) (Note 7) | 2,196,927 | 6,132,549 |
| Due from related parties (Note 8) | 978,150 | 1,578,814 |
| Other current financial assets (Note 9) | 18,777,677 | 20,094,206 |
| Cash and cash equivalents (Note 10) | 1,027,475 | 3,848,259 |
| | <u>22,980,229</u> | <u>31,653,828</u> |

| | <u>At amortised cost</u> | |
|---|---------------------------------|--------------------------|
| | <u>31.03.2021</u> | <u>31.03.2020</u> |
| | <u>AED</u> | <u>AED</u> |
| Financial liabilities | | |
| Trade and other payables (excluding advance from customers) (Note 13) | 2,234,292 | 9,468,098 |

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



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22. CAPITAL RISK MANAGEMENT

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

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

23. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

(a) Market risk

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

(i) Foreign currency risk

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

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.



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As of the reporting date, the Establishment has fixed deposits as disclosed in Note 9. If the interest rate had strengthened by 1% against the effective rate with all other variables held constant, loss for the year would have been lower by AED 187,046 (2020 : profit would have been higher by AED 200,211).

(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.

| | <u>Less than 1 year</u> | |
|---|--------------------------------|--------------------------|
| | <u>31.03.2021</u> | <u>31.03.2020</u> |
| | <u>AED</u> | <u>AED</u> |
| Trade and other payables (excluding advance from customers) | | |
| (Note 13) | <u>2,234,292</u> | <u>9,468,098</u> |

24. FAIR VALUE

The fair value of a particular asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of the financial assets and liabilities approximate their carrying amounts as reflected in these financial statements.



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25. CONTINGENT LIABILITY

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

| | <u>31.03.2021</u> | <u>31.03.2020</u> |
|---------------------------|--------------------------|--------------------------|
| | <u>AED</u> | <u>AED</u> |
| Labour guarantee (Note 9) | <u>73,121</u> | <u>73,081</u> |

26. IMPACT OF COVID-19

The outbreak of COVID-19 continues to evolve and therefore, it is challenging to predict the extent and duration of its business and economic impact at this stage. These conditions are considered non-adjusting events as at the reporting date. Considering the unprecedented nature of the crisis, a reliable estimate of its impact on economy in general and business in particular, cannot be made at the date of the authorization of these financial statements. The management is closely monitoring the situation and has prepared action plans to ensure continuity of its business operations. Following the analysis of different possible scenarios, the management has concluded that sufficient reserves are available in respect of the liquidity and also the equity base of the Establishment to guarantee continuity of its operations at the date of the authorization of these financial statements.

27. COMPARATIVE FIGURES

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

