**VEEDOL INTERNATIONAL DMCC**
**DUBAI**

Financial statements

Year ended March 31, 2019

**VEEDOL INTERNATIONAL DMCC, DUBAI**

**Financial statements for the year ended March 31, 2019**

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**VEEDOL INTERNATIONAL DMCC, DUBAI**

**Directors' report**

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The Directors have pleasure in submitting their annual report and financial statements of Veedol International DMCC, Dubai ("the Company") for the year ended March 31, 2019.

*Activities*

The principal activities of the Company continue to be trading in lubricants and grease.

*Financial position*

During the year, the Company achieved a turnover of AED 28,957,899 (4,165 KL) as against AED 37,633,270 (5,551 KL) in the previous year. The Company has realised a net loss of AED 607,191 as compared to net profit of AED 528,335 in the previous year. Its net asset position reached at AED 973,305 as at 31 March 2019.

For and behalf of the Board

Rajendra Nath Ghosal

Rajendra Nath Ghosal
Director
May 22, 2019

BDO

هاتف : ٦٦٦٦ ٥١٨ ٤ ٩٧١+
فاكس : ٠١٥١ ٢٢٧ ٤ ٩٧١+

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**Independent Auditor's Report**

**To the Parent of Veedol International DMCC, Dubai**

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

**Opinion**

We have audited the accompanying financial statements of Veedol International DMCC, Dubai ("the Company") which comprise the statement of financial position as at March 31, 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at March 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SME).

**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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with 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 for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SME, and their preparation in compliance with the applicable provisions of the Implementing Regulations No. (1/03) issued by the Dubai Multi Commodities Centre Authority (DMCC), 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

**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.

**Independent Auditor's Report *(Continued)***

**To the Parent of Veedol International DMCC, Dubai *(Continued)***

**Report on the Audit of the Financial Statements *(Continued)***

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

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on appropriateness of management's use of 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 Company'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 Company 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 management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiences in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

We have obtained all the information and explanations, which were necessary for the purposes of our audit and no violation of Implementing Regulations No. (1/03) issued by the Dubai Multi Commodities Centre Authority (DMCC) came to our attention which would materially affect the Company's financial position.

**BDO CHARTERED ACCOUNTANTS & ADVISORS**
Dubai
Priyesh Yagnesh Kapadia
Reg. No. 534
May 22, 2019

**VEEDOL INTERNATIONAL DMCC, DUBAI**

**Statement of financial position at March 31, 2019**

| | Note | AED | 2018 AED |
|---|---|---|---|
| **Non current assets** | | | |
| Furniture, fixtures and equipments | 6 | 19,802 | 20,179 |
| Software | 7 | 11,142 | 27,870 |
| Advances | 8 | 391,945 | 526,502 |
| **Total non current assets** | | 422,889 | 574,551 |
| **Current assets** | | | |
| Trade and other receivables | 8 | 10,975,014 | 12,903,643 |
| Due from related parties | 9 | 672,356 | 86,992 |
| Bank balances and cash | 10 | 1,909,597 | 2,726,646 |
| Total current assets | | 13,556,967 | 15,717,281 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 7,356,839 | 8,690,370 |
| Due to related parties | 9 | 1,277,772 | 1,833,730 |
| Bank overdrafts | 12 | 3,547,285 | 3,535,187 |
| Total current liabilities | | 12,181,896 | 14,059,287 |
| Net current assets | | 1,375,071 | 1,657,994 |
| **Non current liabilities** | | | |
| Provision for employees' end of service benefits | 13 | 824,655 | 652,049 |
| **Net assets** | | 973,305 | 1,580,496 |
| **Equity** | | | |
| Share capital | 14 | 2,000,000 | 50,000 |
| Shareholder's account | | - | 1,950,000 |
| Accumulated deficit | | (1,026,695) | (419,504) |
| **Total equity** | | 973,305 | 1,580,496 |

The financial statements have been approved by the Board of Directors on May 22, 2019 and are signed on it's behalf by:

Sanjay Dayama
Finance Manager

Rajendra Nath Ghosal
Director

The notes on pages 8 to 16 form part of these financial statements

VEEDOL INTERNATIONAL DMCC, DUBAI

Statement of profit or loss and other comprehensive income for the year ended March 31, 2019

| | Note | AED | 2018<br>AED |
|---|---|---|---|
| Revenue | 15 | **28,957,899** | 37,633,270 |
| Cost of sales | 16 | **(21,411,753)** | (27,364,271) |
| Gross profit | | **7,546,146** | 10,268,999 |
| Other income | 17 | **169,159** | - |
| | | **7,715,305** | 10,268,999 |
| Salaries and other benefits | | **(3,824,482)** | (4,071,819) |
| Administration, selling and general expenses | 18 | **(2,940,339)** | (3,655,032) |
| Royalty | 19 | **(1,448,022)** | (1,882,281) |
| Depreciation | 6 | **(8,527)** | (40,298) |
| Finance costs | 20 | **(101,126)** | (91,234) |
| | | **(8,322,496)** | (9,740,664) |
| **Total comprehensive income for the year** | | **(607,191)** | 528,335 |

The notes on pages 8 to 16 form part of these financial statements

**Statement of changes in equity for the year ended March 31, 2019**

| | Share capital AED | Shareholder's account AED | Accumulated deficit AED | Total equity AED |
|---|---|---|---|---|
| **Balance at April 1, 2017** | 50,000 | 1,950,000 | (947,839) | 1,052,161 |
| Total comprehensive income for the year | - | - | 528,335 | 528,335 |
| **Balance at March 31, 2018** | **50,000** | **1,950,000** | **(419,504)** | **1,580,496** |
| Total comprehensive income for the year | - | - | (607,191) | (607,191 ) |
| Transfer to share capital (Note 14) | 1,950,000 | (1,950,000) | - | - |
| **Balance at March 31, 2019** | **2,000,000** | **-** | **(1,026,695)** | **973,305** |

The notes on pages 8 to 16 form part of these financial statements

VEEDOL INTERNATIONAL DMCC, DUBAI

## Statement of cash flows for the year ended March 31, 2019

| | | | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | **Note** | **AED** | **AED** |
| Net (loss)/profit for the year | | **(607,191)** | 528,335 |
| Adjustments for : | | | |
| Depreciation | 6 | **8,527** | 40,298 |
| Amortisation | 7 | **16,728** | 16,728 |
| Interest expense | 20 | **101,126** | 91,234 |
| Provision for employees' end of service benefits | 13 | **172,606** | 164,970 |
| Operating (loss)/profit before working capital changes | | **(308,204)** | 841,565 |
| Decrease in trade and other receivables | 8 | **2,063,185** | 1,046,188 |
| (Increase)/decrease in due from related parties | 9 | **(585,364)** | 608,884 |
| Decrease in trade and other payables | 11 | **(1,333,530)** | (2,764,804 ) |
| (Decrease)/increase in due to related parties | 9 | **(555,958)** | 1,575,257 |
| Cash (used in)/generated from operations | | **(719,871)** | 1,307,090 |
| Interest paid | 20 | **(101,126)** | (91,234 ) |
| *Net cash generated (used in)/from operating activities* | | **(820,997)** | 1,215,856 |
| **Cash flows from investing activities** | | | |
| Purchase of furniture, fixtures and equipments | 6 | **(8,150)** | - |
| *Net cash used in investing activities* | | **(8,150)** | - |
| **Net (decrease)/increase in cash and cash equivalents** | | **(829,147)** | 1,215,856 |
| **Cash and cash equivalents at beginning of the year** | | **(808,541)** | (2,024,397 ) |
| **Cash and cash equivalents at end of the year** | 21 | **(1,637,688)** | (808,541 ) |

The notes on pages 8 to 16 form part of these financial statements

## 1 Status and activity

Veedol International DMCC, Dubai ("the Company") is a limited liability company incorporated under the Implementing Regulations No. (1/03) issued by the Dubai Multi Commodities Centre Authority (DMCC). The principal place of business of the Company is located at Unit number 1501, Indigo Icon, Jumeirah Lake Towers, Dubai.

The parent company of the Company is Tide Water Oil Co. (India) Limited ("the Parent"), a company registered in India.

The principal activities of the Company include trading in lubricants and grease.

The financial statements for the year ended March 31, 2019 were authorised for issue by the Board of Directors on May 22, 2019.

These financial statements are presented in UAE Dirhams (AED).

## 2 Transition to IFRS for SME

The Company's financial statements for the year ended March 31, 2019 are its first financial statements prepared under accounting policies that comply with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SME). The Company does not have public accountability as it neither has debt or equity instruments which are traded in a public market nor it is in the process of issuing such instruments. The Company also do not hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary business.

The Company's transition date is April 1, 2017. The Company has prepared its opening statement of financial position in accordance with IFRS for SME at that date. The transition to IFRS for SME has not affected financial position, financial performance and cash flows of the Company as reported earlier.

## 3 Basis of preparation

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities. They have been prepared under historical cost convention, except where otherwise stated in the accounting policies below. The financial statements also comply with the Implementing Regulations No. (1/03) issued by the Dubai Multi Commodities Centre Authority (DMCC).

## 4 Significant accounting policies

The significant accounting policies adopted are as follows:

***Intangible assets***

Software acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are then amortised using the straight line method over their useful life of 3 years. Amortisation is included in the administrative expenses in the statement of profit or loss and other comprehensive income.

***Furniture, fixtures and equipments***

Furniture, fixtures and equipments are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the expenditure that is directly attributable to the acquisition of the assets.

The cost of replacing a part of furniture, fixtures and equipments is recognized in the carrying amount of the items if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

The routine servicing of the furniture, fixtures and equipments are recognized in the statement of profit or loss and other comprehensive income.

**4 Significant accounting policies *(Continued)***

***Furniture, fixtures and equipments (Continued)***

An item of furniture, fixtures and equipments is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of items of furniture, fixtures and equipments is determined as the difference between the sales proceeds and the carrying value of the assets and it is recognised in the statement of profit or loss and other comprehensive income.

*Depreciation*

Depreciation is provided consistently on a straight line basis so as to write off the cost of furniture, fixtures and equipments over their estimated useful lives as follows:

| | |
|---|---|
| Office equipment | 2 - 3 years |
| Tools and equipment | 2 - 3 years |
| Furniture and fixtures | 5 - 6 years |

***Financial assets***

Financial assets are classified into the following specified categories: bank balances and cash, financial assets measured at fair value through profit or loss, debt instruments measured at amortised cost and financial assets that are equity instruments measured at cost less impairment. The classification depends on the nature and purpose of the financial assets. The initial recognition of all financial assets is at transaction cost unless the arrangement constitutes, in effect, financing transaction.

Financial assets are classified at fair value through profit or loss when the financial asset is either held for trading or it is designated as fair value through profit or loss.

Debt instruments comprise trade and other receivables and amounts due from related parties that have fixed determinable payments and do not bear any interest. At the end of each reporting period, the carrying amounts of trade and other receivables and amounts due from related parties are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

***Financial liabilities***

Financial liabilities are classified as either financial liabilities at far value through profit or loss or other financial liabilities. The Company's financial liabilities consist of trade and other payables and bank overdraft. Trade and other payables and bank overdraft are stated at cost.

***Employees' end of service benefits***

Provision is made for employees' end of service benefits on the basis prescribed in the UAE Labour Law, for the accumulated period of service at the date of statement of financial position.

***Provisions***

Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money, and, where appropriate the risks specific to the liability.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the statement of profit or loss and other comprehensive income when changes arise.

**4 Significant accounting policies *(Continued)***

***Share capital***

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

***Leasing***

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

***Revenue recognition***

Revenue from the sales of goods is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is possible that the Company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer.

***Foreign currencies***

Transactions in foreign currencies during the year are converted into AED at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated to AED at the rates of exchange ruling at the date of statement of financial position. All gains and losses on exchange are taken to the statement of profit or loss and other comprehensive income.

***Finance costs***

Interest expense and similar charges are payable on bank overdrafts held at amortised cost. Interest expense is measured using the effective interest method, with interest expense recognised on an effective yield basis.

***Value added tax (VAT)***

Expenses and assets are recognised net of the amount of value added tax, except:

- when the value added tax incurred on a purchase of assets or services is not recoverable from the teaxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- when receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from or payable to, the taxation authority is included as part of receivables or payables in the financial statements.

**5 Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed on the next page.

## 5 Critical accounting judgments and key sources of estimation uncertainty *(Continued)*

***Furniture, fixtures and equipments***

Furniture, fixtures and equipments is depreciated over its estimated useful life, which is based on estimates for expected usage of the asset and expected physical wear and tear which are dependent on operational factors. Management has not considered any residual value as it is deemed immaterial.

***Allowance for doubtful debts***

An allowance for doubtful debts is determined using a combination of factors to ensure that the trade receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and aging of receivables, continuing credit evaluation of the customers' financial conditions and collateral requirements from customers in certain circumstances.

## 6 Furniture, fixtures and equipments

Movements in furniture, fixtures and equipment are given on page 16.

## 7 Software

| | | 2018 |
|---|---|---|
| | AED | AED |
| Beginning balance | **27,870** | 44,598 |
| Amortisation during the year | **(16,728)** | (16,728) |
| | **11,142** | 27,870 |

## 8 Trade and other receivables

| | | 2018 |
|---|---|---|
| | AED | AED |
| Trade receivables without Letters of Credit | **4,747,356** | 7,446,771 |
| Trade receivables with Letters of Credit | **5,041,565** | 4,186,200 |
| Prepayments | **170,640** | 72,822 |
| Advances | **992,033** | 1,290,510 |
| Other receivables | **415,365** | 433,842 |
| | **11,366,959** | 13,430,145 |
| Less: non-current portion of advances | **(391,945)** | (526,502) |
| | **10,975,014** | 12,903,643 |

Trade and other receivables which are classified as loans and other receivables approximates to the fair value. No interest is charged on trade receivables. Trade receivables are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

Advances includes advances of AED 873,720 (2018: 1,085,107) for signages and equipment support to distributors, which are amortised over the period of contract. The amortisation for the 12 months after the statement of financial position date is classified as non current.

## 9 Related party disclosures

Related parties include the parent company, key management personnel and any businesses which are controlled directly or indirectly by the Company or over which they exercise significant management influence. The balances due to/from such parties, which have been disclosed separately in the financial statements, are unsecured, interest-free and are repayable on demand.

The significant related party transactions during the year are as follows:

| | | 2018 |
|---|---|---|
| | AED | AED |
| **Parent company** | | |
| **Commission income:** | | |
| - Tide Water Co. (India) Ltd. | 169,159 | - |
| **Other related parties** | | |
| **Interest income:** | | |
| - Veedol International BV | - | 14,595 |
| **Purchases:** | | |
| - Granville Oil and Chemicals Ltd. | 3,343,730 | 3,026,962 |
| - Veedol International Americas | 274,221 | 123,189 |
| **Royalty expense:** | | |
| - Veedol International Ltd | 1,448,022 | 1,882,281 |
| **Key management personnel:** | | |
| - Salaries and other benefits | 616,778 | 689,020 |

Related party balances are as under :

| | | 2018 |
|---|---|---|
| | AED | AED |
| **Payables :** | | |
| **Other related party** | | |
| - *Granville Oil and Chemicals Ltd.* | 1,277,772 | 1,833,730 |
| **Receivables :** | | |
| **Parent company** | | |
| - *Tide Water Co. (India) Ltd.* | 94,360 | - |
| **Other related parties:** | | |
| - *Veedol International Ltd:* | | |
| Balance receivable | 367,320 | 560,739 |
| Balance payable | (263,169) | (519,011) |
| Net balance receivable | 104,151 | 41,728 |
| - *Veedol International Americas Inc:* | | |
| Balance receivable | 635,389 | 45,264 |
| Balance payable | (161,544) | - |
| Net balance receivable. | 473,845 | 45,264 |

## 10 Bank balances and cash

| | | 2018 |
|---|---|---|
| | AED | AED |
| Cash on hand | **1,558** | 7,556 |
| Current accounts with banks | **1,908,039** | 2,719,090 |
| | **1,909,597** | 2,726,646 |

## 11 Trade and other payables

| | | 2018 |
|---|---|---|
| | AED | AED |
| Trade payables | **6,134,094** | 6,675,800 |
| Accruals and other payables | **1,222,745** | 2,014,570 |
| | **7,356,839** | 8,690,370 |

The Company has financial risk management policies in place to ensure that payables are paid within the credit time frame. The trade and other payables which are classified as financial liabilities measured at amortised cost approximate fair value.

## 12 Bank overdrafts

Bank overdrafts are secured by the corporate guarantee given by the Parent.

## 13 Provision for employees' end of service benefits

| | | 2018 |
|---|---|---|
| | AED | AED |
| Opening balance | **652,049** | 487,079 |
| Additional provision for the year | **172,606** | 164,970 |
| | **824,655** | 652,049 |

## 14 Share capital

| | | 2018 |
|---|---|---|
| | AED | AED |
| Authorised, issued and paid up capital: | | |
| 2,000 shares of AED 1,000 each | **2,000,000** | 50,000 |

During the year, there has been a transfer from shareholder's current account to share capital account of AED 1,950,000 to increase the Company's capital.

VEEDOL INTERNATIONAL DMCC, DUBAI

**Notes to the financial statements for the year ended March 31, 2019** ***(Continued)***

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## 15 Revenue

| | | 2018 |
|---|---|---|
| | AED | AED |
| Sale of goods | 32,240,464 | 41,315,660 |
| Price support to dealers | (3,282,565) | (3,682,390) |
| | 28,957,899 | 37,633,270 |

## 16 Cost of sales

| | | 2018 |
|---|---|---|
| | AED | AED |
| Material consumed | 21,283,960 | 27,364,271 |
| Other direct costs | 127,793 | - |
| | 21,411,753 | 27,364,271 |

## 17 Other income

This comprises commission income received from the parent company.

## 18 Administration, selling and general expenses

| | | 2018 |
|---|---|---|
| | AED | AED |
| Rent and license fees | 174,998 | 214,222 |
| Communication | 89,226 | 105,397 |
| Travelling, conveyance and vehicle expenses | 370,834 | 481,675 |
| Selling and marketing expenses | 1,773,457 | 2,262,124 |
| Legal and professional fees | 203,329 | 293,557 |
| Printing and stationery | 7,496 | 15,702 |
| Repairs and maintenance | 10,901 | 12,394 |
| Amortization of intangible assets | 16,728 | 16,728 |
| Bank charges | 110,853 | 146,105 |
| Foreign exchange loss | 127,841 | 51,499 |
| Other | 54,676 | 55,629 |
| | 2,940,339 | 3,655,032 |

## 19 Royalty

This represents the royalty fee payable to Veedol International Limited, incorporated in the United Kingdom, for marketing "Veedol" brand lubricants in various regions. The fee is worked out at a fixed percentage on net sales value as mutually agreed.

## 20 Finance costs

This represents interest expense on bank overdrafts.

## 21 Cash and cash equivalents

| | | 2018 |
|---|---|---|
| | AED | AED |
| Bank balances and cash | 1,909,597 | 2,726,646 |
| Bank overdrafts | (3,547,285) | (3,535,187) |
| | (1,637,688) | (808,541) |

The carrying amount of these assets approximates to their fair value.

## 22 Financial instruments - risk management

*Foreign currency risk management*

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. The Company is mainly exposed to US Dollars (USD) and British Pound Sterling (GBP). But, as UAE Dirham (AED) is pegged to the US Dollar, the Company is not exposed to any significant exchange rate fluctuations in USD. The effect of a 10% strengthening or weakening of the GBP against AED at the reporting date on the GBP-denominated balances at that date, all other variables held constant, would have resulted in an increase or decrease in profit for the year and increase or decrease of net assets by AED 76,983 (2018: AED 183,373).

*Interest rate risk management*

The Company is exposed to interest rate risk as entities in the Company borrow funds at both fixed and floating interest rates. Sensitivity analysis of interest rates is as follows:

If the interest rates have been 50 base points higher or lower and all other variables were held constant, the Company's profits would increase or decrease by AED 16,797 (2018: AED 62,457).

## 23 Operating leases

As at March 31, 2019, the future minimum lease payments under non-cancelable operating leases are as set out below:

| | | 2018 |
|---|---|---|
| | AED | AED |
| Not later than one year | 102,083 | 175,000 |
| Later than one year and not later than five years | - | 102,083 |
| | 102,083 | 277,083 |

## 24 Contingent liabilities

There are no contingent liabilities at the date of statement of financial position.

## 25 Comparative figures

Previous year's figures which were not material have been regrouped or reclassified wherever necessary to make them comparable to those of the current year.

Schedule of furniture, fixtures and equipment

| | Office equipment | Tools and equipment | Furniture and fixtures | Total |
|---|---|---|---|---|
| **Cost** | **AED** | **AED** | **AED** | **AED** |
| At April 1, 2017 | 94,932 | 146,727 | 309,415 | 551,074 |
| At March 31, 2018 | 94,932 | 146,727 | 309,415 | 551,074 |
| Additions | 8,150 | - | - | 8,150 |
| At March 31, 2019 | **103,082** | **146,727** | **309,415** | **559,224** |
| **Depreciation** | | | | |
| At April 1, 2017 | 91,501 | 146,727 | 252,369 | 490,597 |
| Charge for the year | 3,149 | - | 37,149 | 40,298 |
| At March 31, 2018 | 94,650 | 146,727 | 289,518 | 530,895 |
| Charge for the year | 2,453 | - | 6,074 | 8,527 |
| At March 31, 2019 | **97,103** | **146,727** | **295,592** | **539,422** |
| **Net Book Value** | | | | |
| At March 31, 2019 | **5,979** | - | **13,823** | **19,802** |
| At March 31, 2018 | 282 | - | 19,897 | 20,179 |