


AUDITORS' REPORT TO

R. Devendra Kumar & Associates, Chartered Accountants 205,
Blue Rose Industrial Estate, Mumbai 400 066, India

&
M. P. Chitale & Co., Chartered Accountants,
Hamam House, Mumbai 400 001, India

1. We have carried out the audit of HPCL Middle East FZCO, Dubai Airport Free Zone, Dubai, U.A.E for the year ended March 31, 2019 and issued our opinion thereon under Sections 227(1A) and 227(4A) of the Companies Act, 2013.
2. We have been requested by the management of HPCL Middle East FZCO, Dubai Airport Free Zone, Dubai, U.A.E to examine the attached Fit For Consolidation (FFC) Accounts of the Company. We are informed by the Company's management that the FFC accounts have been prepared solely to enable Hindustan Petroleum Corporation Limited, India to prepare its consolidated financial statements in accordance with the requirements of Indian Accounting Standard 110/27 and other related standards on "Consolidated Financial Statements" notified under the Companies (Accounting Standards) Rules, 2006.
3. The FFC accounts have been prepared by the Company's management. We have performed such procedures as considered necessary for examining the principles applied in preparing the FFC accounts.
4. These FFC accounts are not intended to present a true and fair view of the balance sheet of HPCL Middle East FZCO, Dubai Airport Free Zone, Dubai, U.A.E as at March 31, 2019 and of the result of the operations for the year then ended in accordance with the generally accepted accounting principles in India.
5. Based on the above we confirm that the adjustments carried out in the FFC accounts are appropriate and in accordance with the requirements of Indian Accounting Standards 110/27 and other related accounting standards and the FFC is suitable for inclusion in the consolidated financial statements of Hindustan Petroleum Corporation Limited, India
6. This report is intended solely for the use of M/s R. Devendra Kumar & Associates, Chartered Accountants and M. P. Chitale & Co, Chartered Accountants in connection with the audit of the consolidated financial statements of Hindustan Petroleum Corporation Limited, India and should not be used for any other purpose.
7. We have stamped the FFC for identification purpose.


A. J. Ramachandran
Managing Partner
Ethics Plus Public Accountants
Dubai, U.A.E



May 25, 2019

(1)

P.O.Box 26869, Dubai
Tel: +971 4 345 1522
Fax: +971 4 345 2512

P.O.Box: 122908, Sharjah
Tel: +971 6 552 7881
Fax: +971 6 552 7882

STATEMENT OF FINANCIAL POSITION
As at March 31, 2019

	Notes	31.03.19 AED	31.03.19 INR
ASSETS			
Non-current assets			
Property, plant and equipment	3	5,576	105,218
Current assets			
Inventories	4	325,488	6,141,893
Financial assets			
Cash and cash equivalents	5	2,073,333	39,123,379
Assets for current tax (net)		1,406	26,531
Other current assets	6	<u>148,954</u>	<u>2,810,732</u>
TOTAL ASSETS		<u>2,554,757</u>	<u>48,207,754</u>
EQUITY AND LIABILITIES			
Equity			
Equity share capital	7	520,000	9,956,700
Other equity			
Retained earnings		(566,470)	(10,351,993)
Foreign currency translation reserve			(481,586)
Share application money pending allotment	8	1,622,000	30,606,816
Current liabilities			
Financial liabilities			
Other financial liabilities	9	<u>979,227</u>	<u>18,477,818</u>
TOTAL EQUITY AND LIABILITIES		<u>2,554,757</u>	<u>48,207,754</u>

These financial statements were approved on May 27, 2019 and signed by:
For and on behalf of the Board of Directors of HPCL Middle East FZCO, Dubai

Subhendu Mohanty

Mr. Subhendu Mohanty
Director

The attached notes 1 to 16 form part of these financial statements.



STATEMENT OF COMPREHENSIVE INCOME

Period ended March 31, 2019

	Note no.	01.04.18 to 31.03.19 AED	01.04.18 to 31.03.19 INR
Sales	10	124,668	2,282,160
Cost of sales	11	(114,229)	(2,091,065)
		10,439	191,095
Selling, general and administrative expenses	12	(281,840)	(5,159,335)
Depreciation and amortisation expense		(660)	(12,082)
Management remuneration	13	(271,866)	(4,976,752)
		(554,366)	(10,148,169)
Profit/ (loss) before exceptional items and tax		(543,927)	(9,957,073)
Profit/ (loss) before tax		(543,927)	(9,957,073)
Items that will be reclassified to profit or loss		-	(476,548)
Total comprehensive income for the period		(543,927)	(10,433,621)

These financial statements were approved on May 27, 2019 and signed by:
For and on behalf of the Board of Directors of HPCL Middle East FZCO, Dubai

Subhendu Mohanty

Mr. Subhendu Mohanty
Director

The attached notes 1 to 16 form part of these financial statements.



	01.04.18 to 31.03.19 AED	01.04.18 to 31.03.19 INR
OPERATING ACTIVITIES		
Net income / (loss) for the period	(543,927)	(10,433,621)
Adjustments for:		
Depreciation	<u>660</u>	<u>12,082</u>
Cash from (used in) operations before working capital changes	(543,267)	(10,421,540)
Inventory	(325,488)	(6,141,893)
Other current assets	(148,954)	(2,810,732)
Assets for current tax	(1,406)	(26,531)
Other financial liabilities	<u>956,684</u>	<u>18,077,860</u>
Net cash (used in) operating activities	<u>(62,431)</u>	<u>(1,322,837)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipments	<u>(6,236)</u>	<u>(117,300)</u>
Net cash (used in) investing activities	<u>(6,236)</u>	<u>(117,300)</u>
FINANCING ACTIVITIES		
Shareholder's capital account	520,000	9,956,700
Share application money	<u>1,622,000</u>	<u>30,606,816</u>
Net cash (used in) financing activities	<u>2,142,000</u>	<u>40,563,516</u>
Increase / (decrease) in cash and cash equivalents	<u>2,073,333</u>	<u>39,123,379</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>2,073,333</u>	<u>39,123,379</u>

These financial statements were approved on May 27, 2019 and signed by:
For and on behalf of the Board of Directors of HPCL Middle East FZCO, Dubai

Subhendu Mohanty

Mr. Subhendu Mohanty
Director

The attached notes 1 to 16 form part of these financial statements.



Equity share capital

	Closing balance as at 31 March 2019	Opening balance 1 April 2018	Changes in equity share capital during the year	Closing balance as at 31 March 2019
	AED	INR	INR	INR
Equity shares	<u>520,000</u>	<u>-</u>	<u>9,956,700</u>	<u>9,956,700</u>
	<u>520,000</u>	<u>-</u>	<u>9,956,700</u>	<u>9,956,700</u>

Other Equity

		Opening balance 1 Apr 2018	Total comprehensiv e income for the year	Closing balance as at 31 Mar 2019
Equity component of other financial instrument				
Retained earnings	(566,470)	(394,920)	(9,957,073)	(10,351,993)
Reserves				
Exchange differences on translating the financial statements of a foreign operation	<u>-</u>	<u>(5,038)</u>	<u>(476,548)</u>	<u>(481,586)</u>
Total reserves	<u>(566,470)</u>	<u>(399,958)</u>	<u>(10,433,621)</u>	<u>(10,833,579)</u>

These financial statements were approved on May 27, 2019 and signed by:
For and on behalf of the Board of Directors of HPCL Middle East FZCO, Dubai

Subhendu Mohanty

Mr. Subhendu Mohanty
Director

The attached notes 1 to 16 form part of these financial statements.



1 STATUS AND ACTIVITIES

HPCL Middle East FZCO, Dubai (the 'Company') is a Free Zone Company registered with the Dubai Airport Free Zone Authority, Government of Dubai under license no: 3599 issued on February 11, 2018.

The details of the sole-shareholder is as follows:

Name of the Shareholder	Nationality	% share	% profit
Hindustan Petroleum Corporation Limited	Indian	100	100

The main activities of the Company are trading of petrochemicals, lubricants and grease and refined oil products.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

It should be noted that accounting estimates and assumptions are used in preparing the financial statements. Although the estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Accounting basis

The financial statements have been prepared under the accrual basis.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivables.

The company recognises revenue based on the five-step model:

- i) Identify the contract(s) with a customer: A contract is defined as an agreement between one or more parties that creates enforceable rights and obligations.
- ii) Identify the performance obligations in the contract: A performance obligation is a promise in a contract to transfer a goods or bundle of goods or services to the customer.
- iii) Determine the transaction price: Transaction price is the amount of consideration to which Company expects to be entitled in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- iv) Allocate the transaction price to the performance obligation in the contract.
- v) The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:
 - The customer simultaneously received and consumed all of The benefits provided by The Company as the Company performs: or



is created; or

- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance obligation 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 the performance obligation is satisfied.

The Company allocates the transaction price to the performance obligations in a contract based on the input method which require revenue recognition on the basis of the Company's effort or inputs to the satisfaction of the performance obligations.

Revenue is measured at fair market value of consideration received or receivable taking into account the contractually agreed terms of payment excluding taxes and duties. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in all its revenue arrangements.

Property, plant and equipments

Fixed assets are depreciated on cost using straight line method at rates calculated to depreciate the assets concerned over their estimated useful lives. The annual rate of depreciation is 20% for all the fixed assets.

Accounts receivables

Accounts receivable balances are stated at original invoice amounts less a provision for any uncollectible amounts. An estimate of doubtful debts is made when collection of full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprises of cash in hand, bank overdraft repayable on demand, bank current and call accounts, fixed deposits free from lien with original maturity date of three months or less from the date of deposit.

Financial instruments

Initial recognition and measurement

The company recognises a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the company recognises all financial assets and financial liabilities at fair value. The fair value of a financial asset or liability on initial recognition is normally represented by the transaction price.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their initial recognition. The company classifies its financial assets in the following four categories:

- 1 Financial assets at fair value through profit or loss. This category has two sub categories:
 - a) Designated - Any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.



assets acquired or held for the purpose of selling in the short term or for which there is recent pattern of short term profit taking are held for trading.

- 2 Available for sale financial assets (AFS) are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. AFS assets are measured at fair value in the statement of financial position. Fair value changes on AFS assets are recognised directly in equity, through the statement of changes in equity, except for interest on AFS assets, impairment losses and foreign exchange gains or losses. The cumulative gain or loss that was recognised in equity is recognised in profit or loss when and available for sale financial asset is derecognised.
- 3 Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as assets at fair value through profit or loss as available for sale. Loans and receivables are measured at amortised cost.
- 4 Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments that a company intends and is able to hold till maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held to maturity investments are measured at amortised cost.

Impairment and collectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the statement of comprehensive income.

Derecognition of financial assets

The company derecognizes a financial asset only when the contractual rights to the cash flow from the asset expires; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another company. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for the amounts, it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognize the financial asset.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services, whether billed by the supplier or not.



Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Foreign currencies

Transactions in foreign currencies, if any, are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position. All differences are taken to the statement of comprehensive income.

3 PROPERTY, PLANT AND EQUIPMENTS (NET)

Fixed assets are stated at cost, less accumulated depreciation as follows:

31.03.19	31.03.19
AED	INR

Office equipments:

Cost

Additions

Depreciation

Net Book Value

6,236	117,300
(660)	(12,082)
<u>5,576</u>	<u>105,218</u>

4 INVENTORY

31.03.19	31.03.19
AED	INR

Goods-in-transit

325,488	6,141,893
<u>325,488</u>	<u>6,141,893</u>

5 CASH AND CASH EQUIVALENTS

31.03.19	31.03.19
AED	INR

Cash at bank in current accounts

2,073,333	39,123,379
<u>2,073,333</u>	<u>39,123,379</u>

6 OTHER CURRENT ASSETS

31.03.19	31.03.19
AED	INR

Receivable from DAFZA, Dubai

Prepaid rents

Prepaid insurance

Other receivables

790	14,907
132,478	2,499,830
13,248	249,990
2,438	46,005
<u>148,954</u>	<u>2,810,732</u>

	AED	INR
Hindustan Petroleum Corporation Limited, India	520,000	9,956,700
	<u>520,000</u>	<u>9,956,700</u>
8 SHARE APPLICATION MONEY PENDING ALLOTMENT		
	31.03.19	31.03.19
	AED	INR
Hindustan Petroleum Corporation Limited, India	1,622,000	30,606,816
	<u>1,622,000</u>	<u>30,606,816</u>
9 OTHER FINANCIAL LIABILITIES		
	31.03.19	31.03.19
	AED	INR
Accrued expenses	10,035	189,360
Advance from customers	209,475	3,952,793
Loan from Hindustan Petroleum Corporation Limited, India	754,344	14,234,276
Other payables	5,373	101,389
	<u>979,227</u>	<u>18,477,818</u>
10 REVENUE		
	01.04.18	01.04.18
	to	to
	31.03.19	31.03.19
	AED	INR
Sales	124,668	2,282,160
	<u>124,668</u>	<u>2,282,160</u>
11 COST OF SALES		
	01.04.18	01.04.18
	to	to
	31.03.19	31.03.19
	AED	INR
Purchases	101,379	1,855,834
Other direct expenses	12,850	235,231
	<u>114,229</u>	<u>2,091,065</u>
12 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
	01.04.18	01.04.18
	to	to
	31.03.19	31.03.19
	AED	INR
Employee benefit expenses	41,691	763,191
Finance cost	950	17,391
Annual lease rent cost	153,439	2,808,839
Other expenses	85,760	1,569,914
	<u>281,840</u>	<u>5,159,335</u>

Management remuneration

31.03.19	31.03.18
AED	INR
271,866	4,976,752
<u>271,866</u>	<u>4,976,752</u>

SIGNIFICANT EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no significant events occurring after the date of statement of financial position which require disclosure in the financial statements.

In the opinion of the management all the assets shown in the financial statements are existing and realizable at the amounts shown against them and there are no liabilities against the company, contingent or otherwise, not included in the above financial statements.

GENERAL

- a) These are the first audit financial statements issued by the management covering the period from April 01, 2018 to March 31, 2019.
- b) The opening balances as at April 01, 2018 were extracted from the financial statements prepared and certified by the Management.
- c) The figures in the financial statements are rounded to the nearest Dirham of United Arab Emirates and Rupees of India.

