

VLCC Overseas Limited

Separate Financial Statements
For the year ended March 31, 2019

VLCC Overseas Limited
Separate Financial Statements
For the year ended March 31, 2019

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Independent Auditor's Report
To the Shareholder of VLCC Overseas Limited

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Report on the Audit of Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of VLCC Overseas Limited ("the Company"), which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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 Code of Ethics as issued by International Ethics Standards Board for Accountants (IESBA), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS and their preparation in compliance with the applicable provision of applicable companies implementing regulations of Jebel Ali Free Zone Companies Implementing Regulations issued May 23, 2016 and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

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

**Independent Auditor's Report
To the Shareholder of VLCC Overseas Limited**

Report on the Audit of Separate Financial Statements (continued)

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 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 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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.



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Independent Auditor's Report To the Shareholder of VLCC Overseas Limited

Report on the Audit of Separate Financial Statements (continued)

Report on other legal and regulatory requirements

As required by the Jebel Ali Free Zone Companies Implementing Regulations issued May 23, 2016, we also confirm that we have obtained all the information and explanations necessary for our audit, and proper books of account have been kept by the Company. To the best of our knowledge and belief, no violations of above mentioned Regulations or of the Memorandum of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Grant Thornton

**Grant Thornton
Farouk Mohamed
Registration No. 86
Dubai, September 15, 2019**



VLCC Overseas Limited
Separate Financial Statements

Statement of financial position
As at March 31, 2019

	Notes	2019 AED	2018 AED
ASSETS			
Non-current assets			
Investment in subsidiaries	5	7,658,329	7,658,329
Available-for-sale investments	6	371	371
		<u>7,658,700</u>	<u>7,658,700</u>
Current assets			
Trade receivables		478,102	323,625
Amount due from related parties	7.2	1,357,581	1,989,362
Cash and cash equivalents	8	517	1,235
		<u>1,836,200</u>	<u>2,314,222</u>
TOTAL ASSETS		<u>9,494,900</u>	<u>9,972,922</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	9	10,000	10,000
Additional contributed capital	10	8,362,663	8,362,663
Retained earnings/ (accumulated losses)		1,507	(211,234)
TOTAL EQUITY		<u>8,374,170</u>	<u>8,161,429</u>
Liabilities			
Current liabilities			
Contract liability		134,122	-
Other payables		4,260	7,982
Amount due to a related party	7.3	982,348	1,803,511
		<u>1,120,730</u>	<u>1,811,493</u>
TOTAL LIABILITIES		<u>1,120,730</u>	<u>1,811,493</u>
TOTAL EQUITY AND LIABILITIES		<u>9,494,900</u>	<u>9,972,922</u>

These separate financial statements for the year ended March 31, 2019 (including comparative) were approved on September 15, 2019 and were signed by:

Sanjeev Setia
 Director
 Dubai, United Arab Emirates

The accompanying notes 1 to 15 form an integral part of these separate financial statements.

VLCC Overseas Limited
Separate Financial Statements

Statement of comprehensive income
For the year ended March 31, 2019

	Notes	2019 AED	2018 AED
Revenue	11	1,592,629	2,262,899
Dividend income	13	-	660,661
Administrative and general expenses	12	(1,198,058)	(3,117,237)
NET PROFIT/(LOSS) FOR THE YEAR		394,571	(193,677)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		394,571	(193,677)

The accompanying notes 1 to 15 form an integral part of these separate financial statements.

VLCC Overseas Limited
Separate Financial Statements

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

	Share capital AED	Contributed capital AED	Retained earnings/ (accumulated losses) AED	Total equity AED
Balance at April 1, 2017	10,000	8,362,663	(17,557)	8,355,106
Total comprehensive loss for the year	-	-	(193,677)	(193,677)
Balance at March 31, 2018	10,000	8,362,663	(211,234)	8,161,429
Impact of first-time adoption of IFRS 15	-	-	(181,830)	(181,830)
Total comprehensive income for the year	-	-	394,571	394,571
Balance at March 31, 2019	10,000	8,362,663	1,507	8,374,170

The accompanying notes 1 to 15 form an integral part of these separate financial statements.

VLCC Overseas Limited
Separate Financial Statements

Statement of cash flows
For the year ended March 31, 2019

	Notes	2019 AED	2018 AED
Cash flows from operating activities			
Net profit/(loss) for the year		394,571	(193,677)
Non-cash transaction:			
Dividend income	13	-	(660,661)
Net changes in working capital:			
Change in trade receivables		(154,477)	(252,207)
Change in amounts due from related parties		631,781	(708,515)
Change in contract liability		(47,708)	-
Change in other payables		(3,722)	7,982
Change in amount due to a related party		(821,163)	1,803,511
Net cash used in operating activities		<u>(718)</u>	<u>(3,567)</u>
Net change in cash and cash equivalents		(718)	(3,567)
Net cash and cash equivalents, beginning of year		<u>1,235</u>	<u>4,802</u>
Cash and cash equivalents, end of year	8	<u>517</u>	<u>1,235</u>

The accompanying notes 1 to 15 form an integral part of these separate financial statements.

VLCC Overseas Limited
Separate Financial Statements

Notes to the separate financial statements
For the year ended March 31, 2019

1 Legal status and nature of operations

VLCC Overseas Limited (the “Company”) is a limited liability company registered under the license no. 138362 issued by Jebel Ali Free Zone Authority, Dubai, United Arab Emirates (UAE) on May 3, 2010. The Company was formed under the applicable law of Jebel Ali Free Zone. The registered office of the Company is P.O. Box 43640, Dubai, U.A.E.

The Company is a wholly owned subsidiary of VLCC International Inc. (the “Parent Company”), a limited liability company incorporated in the British Virgin Islands. The ultimate parent of the Company is VLCC Health Care Limited (the “Ultimate Parent”), a limited liability company incorporated in India. These separate financial statements does not consolidate the activities of the subsidiary; rather they represent the results of operations and financial position of the Company alone. Since the Parent Company consolidates the investment in subsidiaries of the Company, no consolidated financial statements were prepared for the Company.

The Company’s principal activities are to invest in shares, debentures, bonds etc., to act as an investment and holding company, general trading outside UAE mainly in cosmetics, nutraceuticals, beauty products, beauty equipment, health care equipment, wellness products and equipment, franchising, to own properties in Emaar, Nakheel, Dubai Holdings projects or any other free hold properties approved by Jebel Ali Free Zone, to hold investments, develop, buy, sell and lease properties worldwide.

2 Statement of compliance

These separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3 Standards, interpretations and amendments to existing standards

3.1 Standards, interpretations and amendments to existing standards that are effective in 2018

The following significant pronouncements from the IASB have been issued and have been adopted by the Company.

- a) The IASB has issued IFRS 9 ‘Financial Instruments’, which supersedes IAS 39 ‘Financial Instruments: Recognition and Measurement’ and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 covers classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting.

Management has assessed the implementation of this new standard and confirmed that it has no significant impact on the financial statements. There have been no changes to the classification or measurement of financial instruments as a result of its application.

- b) The IASB issued IFRS 15 ‘Revenue from Contracts with Customers’, which provides a single model for accounting for revenue arising from contracts with customers and is effective for annual periods beginning on or after 1 January 2018. IFRS 15 will supersede IAS 18 ‘Revenue’.

Management has assessed the implementation of this new standard and the quantitative impact of the change in accounting policy is as follows:

Statement of financial position	March 31, 2018	Impact	April 1, 2018
	AED	AED	AED
	<i>(as reported)</i>		<i>(adjusted)</i>
Equity			
Accumulated losses	(211,234)	(181,830)	(393,064)

VLCC Overseas Limited
Separate Financial Statements

Notes to the separate financial statements (continued)
For the year ended March 31, 2019

3 Standards, interpretations and amendments to existing standards (continued)

3.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company

The IASB issued IFRS 16 'Leases' which will supersede IAS 17 'Leases' and related interpretations and applies to annual reporting periods beginning on or after 1 January 2019. IFRS 16 brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases.

Management is in the process of assessing the impact of this standard on the financial statements. Therefore, the impact is not known as at the reporting date.

4 Summary of significant accounting policies

4.1 Overall considerations

These separate financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

4.2 Foreign currency

These separate financial statements are presented in United Arab Emirates Dirhams (AED), which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at period-end exchange rates are recognised in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.3 Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

All subsidiaries have a reporting date of March 31.

VLCC Overseas Limited
Separate Financial Statements

Notes to the separate financial statements (continued)
For the year ended March 31, 2019

4 Summary of significant accounting policies (continued)

4.4 Financial instruments

Recognition, initial measurement and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset or all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are measured subsequently as described below.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified and measured at amortised cost if both of the following conditions are met:

- The asset is held in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest, if any, on the principal amount outstanding.

If the financial asset does not pass either of the above conditions, or only one of the above conditions, it is measured at fair value through profit or loss ('FVTPL'). Even if both conditions are met, management may designate a financial asset at FVTPL if doing so reduces or eliminates a measurement or recognition inconsistency.

As at the reporting date, the Company's financial assets comprise trade and most other receivables, amounts due from related parties and cash and cash equivalents. These are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

All income and expenses relating to financial assets measured at amortised cost are recognised in profit or loss and presented within 'finance costs - net' or 'other income - net', except for impairment of trade receivables which is presented within 'administrative and general expenses'.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

VLCC Overseas Limited
Separate Financial Statements

Notes to the separate financial statements (continued)
For the year ended March 31, 2019

4 Summary of significant accounting policies (continued)

4.4 Financial instruments (continued)

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be Individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

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Notes to the separate financial statements (continued)
For the year ended March 31, 2019

4 Summary of significant accounting policies (continued)

4.4 Financial instruments (continued)

Available-for-sale investment

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. After initial recognition, these are measured at fair value. When fair value cannot be reliably estimated, they are measured at cost less any impairment charges. Impairment charges are recognised in profit or loss.

Available-for-sale financial assets comprise equity investment in unquoted companies.

These are included in non-current assets unless the investment matures or management intends to dispose of within twelve months of the end of the reporting period.

When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'. Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Impairment and un-collectability of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated income statement. Impairment for assets carried at cost is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities are its accrued expenses.

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

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance income/ (costs) – net', if any.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amounts is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

VLCC Overseas Limited
Separate Financial Statements

Notes to the separate financial statements (continued)
For the year ended March 31, 2019

4 Summary of significant accounting policies (continued)

4.5 Cash and cash equivalents

Cash and cash equivalents are items, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the statement of financial position comprise cash on hand and balance in bank accounts and are initially and subsequently recorded at fair value.

For purpose of the statement of cash flows, all cash and bank balances including bank overdraft are considered to be cash and cash equivalents.

4.6 Equity

Share capital represents the nominal value of shares that have been authorised, issued and paid as disclosed in note 10.

Additional contributed capital represents the amount paid by the Parent Company to the Company against the future issue of share capital.

Accumulated loss includes all current and previous period loss.

4.7 Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.8 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable by the Company, excluding discounts, rebates, and duty.

VLCC Overseas Limited
Separate Financial Statements

Notes to the separate financial statements (continued)
For the year ended March 31, 2019

4 Summary of significant accounting policies (continued)

4.8 Revenue (continued)

IFRS 15 'Revenue from Contracts with Customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model, explained below, which will apply to revenue arising from contracts with customers.

Step 1 Identify the contract 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 each of those rights and obligations.

Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the 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.

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

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

The Company recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; 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 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 requires revenue recognition on the basis of the Company's efforts or inputs to the satisfaction of the performance obligations.

When the Company satisfies a performance obligation by delivering the promised goods or services, 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.

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 of its revenue arrangements.

VLCC Overseas Limited
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Notes to the separate financial statements (continued)
For the year ended March 31, 2019

4 Summary of significant accounting policies (continued)

4.8 Revenue (continued)

Franchisee sign-up fee revenue

Franchisee fee revenue is recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company.

Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

4.9 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

4.10 Significant management judgement in applying accounting policies

When preparing the separate financial statements management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

4.11 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

VLCC Overseas Limited
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Notes to the separate financial statements (continued)
For the year ended March 31, 2019

5 Investment in subsidiaries

The Company holds investments in the following subsidiaries as at March 31:

	Ownership interest (%)	Ownership interest (%)	Country of incorporation and operation	Principal activity
	2019	2018		
VLCC Healthcare (Bangladesh) Pvt. Ltd.	100	100	Bangladesh	Operating beauty, slimming, fitness and health care.
VLCC Healthcare Lanka (Private) Limited	100	100	Sri Lanka	Operating beauty, slimming, fitness and health care.
VLCC Education Lanka (Private) Limited	100	100	Sri Lanka	General commercial company.
VLCC Personal Care Bangladesh Pvt. Ltd.	100	100	Bangladesh	Manufacturing and trading company.

Investments in subsidiaries as at March 31 are as follows:

	2019	2018
	AED	AED
VLCC Healthcare (Bangladesh) Pvt. Ltd.	4,138,663	4,138,663
VLCC Healthcare Lanka (Private) Limited	2,992,907	2,992,907
VLCC Personal Care Bangladesh Pvt. Ltd.	526,758	526,758
VLCC Education Lanka (Private) Limited	1	1
	<u>7,658,329</u>	<u>7,658,329</u>

6 Available-for-sale investments

Available-for-sale investments include unquoted equity investments in entities which are not publicly traded and whose published price quotes are not available.

Available-for-sale investments at the reporting date are as follows:

	2019	2018
	AED	AED
VLCC Healthcare Egypt LLC	<u>371</u>	<u>371</u>

There is no movement in the available-for-sale investments during the year:

The fair value of these investments cannot be reliably measured and therefore have been stated at cost less impairment charges, if any.

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Notes to the separate financial statements (continued)
For the year ended March 31, 2019

7 Related parties

The Company in the normal course of business carries on transactions with other enterprises that fall within the definition of related party. These transactions are carried out in the normal course of business and are measured at the amounts agreed to by both the parties.

The Company's related parties include its related parties and key management as described below.

7.1 Transactions with related party

	2019	2018
	AED	AED
Entity under common control:		
Salary expense	540,000	1,249,871
Expenses incurred on behalf of the Company	<u>658,057</u>	<u>1,662,000</u>

7.2 Amounts due from related parties

	2019	2018
	AED	AED
Entities under common control:		
VLCC Healthcare (Bangladesh) Pvt Ltd	370,032	997,660
VLCC International Inc.	758,734	762,887
VLCC Healthcare Lanka (Private) Ltd	<u>228,815</u>	<u>228,815</u>
	<u>1,357,581</u>	<u>1,989,362</u>

7.3 Amount due to a related party

	2019	2018
	AED	AED
Entity under common control:		
VLCC International LLC	<u>982,348</u>	<u>1,803,511</u>

8 Cash and cash equivalents

	2019	2018
	AED	AED
Cash at bank	<u>517</u>	<u>1,235</u>

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9 Share capital

	2019	2018
	AED	AED
Authorised, issued and paid up capital 1,000 shares of AED 10 each	<u>10,000</u>	<u>10,000</u>

10 Additional contributed capital

Additional contributed capital represents additional capital introduced by shareholders in order to facilitate the new investments. Additional contributed capital will be converted into the share capital in the near future.

11 Revenue

	2019	2018
	AED	AED
Franchisee sign-up fee revenue	122,708	1,309,170
Royalty income	1,469,921	953,729
	<u>1,592,629</u>	<u>2,262,899</u>

12 Administrative and general expenses

	2019	2018
	AED	AED
Salaries, benefits and other related costs	546,537	1,249,871
Office and administration expenses	300,000	510,000
Staff training expenses	156,000	222,000
Advertisement expenses	135,000	960,914
Communication expenses	21,875	17,876
Travelling and conveyance expenses	16,296	37,305
Audit fees	13,750	12,500
Legal and professional expenses	3,000	13,000
Business promotion expense	2,555	58,605
Other	3,045	35,166
	<u>1,198,058</u>	<u>3,117,237</u>

13 Dividend income

Dividend income represents cash dividend declared by the Company's subsidiary VLCC Healthcare (Bangladesh) Pvt Ltd. There was no dividend declared in the current year (2018: AED 660,661).

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14 Financial Instrument

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments.

The Company's risk management is coordinated at the Parent Company level, in close cooperation with the board of Directors, and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to financial markets.

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

The most significant financial risks to which the Company is exposed are described below.

14.1 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Most of the Company's transactions are carried out in AED. The Company does not have major exposure in currency other than AED and the United States Dollar (USD). The risk related to the transactions denominated in USD is low as the AED is pegged against USD, hence the risk arises from fluctuations in currency exchange rates is very minimal.

14.2 Interest rate risk

The Company has no significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. Hence, the risk is considered to be minimal.

14.3 Credit risk

Credit risk is the risk that counterparty fails to discharge an obligation to the Company. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2019	2018
	AED	AED
Classes of financial assets - carrying amounts:		
Trade receivables	478,102	323,625
Amounts due from related parties	1,357,581	1,989,362
Cash and cash equivalents	517	1,235
Available-for-sale investments	371	371
Total carrying amount	<u>1,836,571</u>	<u>2,314,593</u>

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

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14 Financial Instrument (continued)

Risk management objectives and policies (continued)

14.3 Credit risk (continued)

Trade and other receivables

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for sales over the past 24 months before March 31, 2019 and April 1, 2018 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period. Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 1 year from the invoice date and failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Cash at banks

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

14.4 Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Liquidity requirements are monitored on a regular basis and the management ensures that sufficient funds are available to meet any future commitments. All the Company's financial liabilities are non-derivative and have contractual maturities of less than twelve months from the reporting date and do not carry any interest.

15 Capital management policies and procedures

The Company's objective when managing capital are to safeguard the Company's ability to continue as going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Company consists of cash and cash equivalents and equity as disclosed in the statement of financial position. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt. Capital for the reporting periods under review is summarised below:

	2019 AED	2018 AED
Total equity	8,508,292	8,161,429
Cash and cash equivalents	(517)	(1,235)
	<u>8,507,775</u>	<u>8,160,194</u>