

Financial statements and independent auditor's report

**VLCC International Kuwait Health Care Institute Company - WLL  
Kuwait**

31 March 2020

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## Independent auditor's report

To the partners of  
VLCC International Kuwait Health Care Institute Company - WLL  
Kuwait

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of VLCC International Kuwait Health Care Institute Company - WLL, ("the Company"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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.

#### Going concern

We draw attention to Note 2 to the financial statements, which indicates that the accumulated losses of the Company as of 31 March 2020 amounted to KD 1,684,599 (2019: KD1,470,427) and the current liabilities exceeded the current assets by KD 179,423 (2019: KD36,502) as of that date. Although these conditions may indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, the Company's management has prepared these financial statements on a going concern basis due to the reasons specified in Note 2. Our opinion is not modified in respect of this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 Auditors' Report to the partners of VLCC International Kuwait Health Care Institute Company - WLL (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 skepticism 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 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 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 deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Company and the financial statements are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Company's Memorandum of Incorporation, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Company's Memorandum of Incorporation, as amended, have occurred during the year ended 31 March 2020 that might have had a material effect on the business or financial position of the Company, except for the matter explained in note (5.1) relating to the financial year end of the Company.

Abdullatif M. Al-Aiban (CPA)  
(Licence No. 94-A)  
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait  
26 October 2020

## Statement of profit or loss and other comprehensive income

	Notes	Year ended 31 March 2020 KD	Year ended 31 March 2019 KD
<b>Revenue</b>			
Beauty and slimming services		319,683	321,628
Sales of beauty products		1,919	499
		<b>321,602</b>	<b>322,127</b>
Cost of beauty and slimming services	7	(163,333)	(140,984)
Cost of beauty products		(2,159)	(1,398)
<b>Gross profit</b>		<b>156,110</b>	<b>179,745</b>
Other income		207	-
		<b>156,317</b>	<b>179,745</b>
<b>Expenses and other charges</b>			
Staff costs		(108,423)	(112,173)
General and administrative expenses		(86,802)	(144,234)
Selling and marketing expenses		(14,456)	(28,801)
Depreciation	8 & 9	(152,869)	(194,113)
Finance costs	14	(7,939)	-
		<b>(370,489)</b>	<b>(479,321)</b>
<b>Loss for the year</b>		<b>(214,172)</b>	<b>(299,576)</b>
Other comprehensive income/(loss) for the year		-	-
<b>Total comprehensive loss for the year</b>		<b>(214,172)</b>	<b>(299,576)</b>

*The notes set out on pages 7 to 23 form an integral part of these financial statements.*

## Statement of financial position

	Notes	31 March 2020 KD	31 March 2019 KD
<b>Assets</b>			
<b>Non-Current assets</b>			
Property and equipment	8	803,076	880,991
Right of use assets	9	259,708	-
		<b>1,062,784</b>	<b>880,991</b>
<b>Current assets</b>			
Inventories	10	7,003	3,308
Accounts receivable and other assets	11	17,622	22,046
Cash and bank balances		3,784	12,852
		<b>28,409</b>	<b>38,206</b>
<b>Total assets</b>		<b>1,091,193</b>	<b>919,197</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	12	25,000	25,000
Parent Company's current account	16	2,335,272	2,279,434
Accumulated losses		(1,684,599)	(1,470,427)
<b>Total equity</b>		<b>675,673</b>	<b>834,007</b>
<b>Non – current liabilities</b>			
Provision for employees' end of service benefits		11,855	10,482
Lease liabilities – non-current portion	14	195,833	-
		<b>207,688</b>	<b>10,482</b>
<b>Current liabilities</b>			
Lease liabilities – current portion	14	66,945	-
Accounts payable and other liabilities	15	140,887	74,708
		<b>207,832</b>	<b>74,708</b>
<b>Total liabilities</b>		<b>415,520</b>	<b>85,190</b>
<b>Total equity and liabilities</b>		<b>1,091,193</b>	<b>919,197</b>

Loay Abdulaziz Khalid AlAbdulrazak  
 Partner

*The notes set out on pages 7 to 23 form an integral part of these financial statements.*

## Statement of changes in equity

	Share capital KD	Parent Company's current account KD	Accumulated losses KD	Total KD
<b>Balance at 31 March 2018</b>	25,000	2,132,914	(1,170,851)	987,063
Total comprehensive loss for the year	-	-	(299,576)	(299,576)
Net movement in Parent Company's current account	-	146,520	-	146,520
<b>Balance at 31 March 2019</b>	25,000	2,279,434	(1,470,427)	834,007
Total comprehensive loss for the year	-	-	(214,172)	(214,172)
Net movement in Parent Company's current account	-	55,838	-	55,838
<b>Balance as at 31 March 2020</b>	<b>25,000</b>	<b>2,335,272</b>	<b>(1,684,599)</b>	<b>675,673</b>

*The notes set out on pages 7 to 23 form an integral part of these financial statements.*

## Statement of cash flows

	Year ended 31 March 2020 KD	Year ended 31 March 2019 KD
<b>OPERATING ACTIVITIES</b>		
Loss for the year	(214,172)	(299,576)
Adjustments:		
Depreciation	152,869	194,113
Finance costs	7,939	-
Provision for employees' end of service benefits	6,126	3,701
	(47,238)	(101,762)
<b>Changes in operating assets and liabilities:</b>		
Inventories	(3,695)	(28)
Accounts receivable and other assets	4,424	(2,541)
Accounts payable and other liabilities	49,701	6,138
Employees' end of service benefits paid	(1,175)	(904)
<b>Net cash from/(used in) operating activities</b>	<b>2,017</b>	<b>(99,097)</b>
<b>INVESTMENT ACTIVITIES</b>		
Purchase of property and equipment	(25,000)	(44,747)
<b>Net cash used in investing activities</b>	<b>(25,000)</b>	<b>(44,747)</b>
<b>FINANCING ACTIVITIES</b>		
Net movement in Parent Company's current account	55,838	146,520
Payment of lease liabilities	(36,016)	-
Finance costs paid	(5,907)	-
<b>Net cash from financing activities</b>	<b>13,915</b>	<b>146,520</b>
Net (decrease)/increase in cash and bank balances	(9,068)	2,676
Cash and bank balances at beginning of the year	12,852	10,176
<b>Cash and bank balances at end of the year</b>	<b>3,784</b>	<b>12,852</b>

*The notes set out on pages 7 to 23 form an integral part of these financial statements.*



## Notes to the financial statements

### 1 Incorporation and activities

VLCC International Kuwait Health Care Institute- WLL ("the Company") was incorporated on 13 January 2016 as a limited liability company. The main objectives of the Company are health care institute and ladies beauty salon.

The Company's address is Al-Salmiya, Baghdad Street, Block 9, Building No. 510, Kuwait.

The Company is a subsidiary of VLCC International Inc – British Virgin Islands, ("the Parent Company") which has the ability to control the activities of the Company.

The partners of the Company approved these financial statements for issue on 26 October 2020.

### 2 Fundamental accounting concept

The Company has prepared these financial statements under the going concern concept of accounting. As of 31 March 2020, the accumulated losses of the Company amounted to KD 1,684,599 (2019: KD1,470,427) which exceeds the Company's paid up share capital and according to Article 273 of the Companies Law, if the losses of the limited liability company amount to three quarters of its paid up share capital, the management shall present to the extraordinary general meeting of partners the remedy of the undercapitalisation, the dissolution of the Company or other appropriate measures for decision. If the management fails to invite the partners or the partners fail to reach a resolution on the issue, the management or the partners, as the case may be, shall be jointly liable for the Company's obligations. The management of the Company is yet to convene this extra-ordinary general assembly. Further, the Company's current liabilities exceeded its current assets by KD 179,423 as at 31 March 2020 (2019: KD36,502).

However, the Parent Company (VLCC International Inc – British Virgin Islands) has stated that for at least 24 months from the date of approval of these financial statements, it will continue to make available funds as and when needed by the Company. The management believes that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for repayment. As with any company placing reliance on a related party (the partners of the Company) for financial support, the management acknowledges that there can be no certainty that this support will continue in the future. At the date of approval of these financial statements, the management has no reason to believe that this support will not continue.

Based on this undertaking, the management believes that it remains appropriate to prepare the financial statement on a going concern basis. However, this uncertainty may cast doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### 3 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

## Notes to the financial statements (continued)

### 4 Changes in accounting policies

#### 4.1 New and amended standards adopted by the Company

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2019 which have been adopted by the Company. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 16 Leases	1 January 2019

#### *IFRS 16 Leases*

IFRS 16 Leases replaced IAS 17 and three related Interpretations. IFRS 16 introduced new and amended requirements with respect to accounting for leases. As a result, lessee accounting is now significantly different and removes distinction between finance and operating leases. It now requires recognition of a right-of-use asset and lease liability at commencement date for all leases, except for short term leases and low value leases. However, the accounting by lessor has largely remained unchanged.

#### *Transition on date of initial application:*

The new Standard has been applied using the modified retrospective approach. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.5%.

The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

## Notes to the financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.1 New and amended standards adopted by the Company (continued)

##### *IFRS 16 Leases (continued)*

##### *Impact on initial application:*

The impact on the Company as a lessee is described below:

	31 March 2019	Adjustment	1 April 2019
Right-of-use of assets	-	136,026	136,026
Lease liabilities	-	136,026	136,026

There was no impact to the opening shareholders' equity as a result of adoption of IFRS 16.

The new accounting policy for leases is detailed in Note 5.6

#### 4.2 IASB Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 1 and IAS 8 - Amendments	1 January 2020

##### *IAS 1 and IAS 8 – Amendments*

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for significantly influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Company's financial statements.

### 5 Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below.

#### 5.1 Basis of preparation

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

## Notes to the financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.1 Basis of preparation (continued)

Although the fiscal year of the Company as stated in its Memorandum of Incorporation starts at 1 January and ends at 31 December of each year, the Company's owners have elected to issue these financial statements for the year ended 31 March 2020 for management purposes and consolidation with the Parent Company's financial statements.

The financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the Company.

The Company has elected to present the "statement of profit or loss and other comprehensive income" in one statement.

#### 5.2 Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a service to a customer.

The Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable, if any, in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

##### 5.2.1 Revenue from beauty and slimming services

Revenue from fees received from client towards beauty and slimming packages are recognized on a pro-rata basis over the period of the package. Accordingly, fees related to periods falling after the year end is recognised on deferred basis.

## Notes to the financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.2 Revenue (continued)

##### 5.2.2 Revenue from the sales of beauty products

Revenue from the sales of beauty products is recognized net of discounts, when the significant risks and rewards of ownership have passed to the buyer and the amount is measured reliably.

#### 5.3 Operating expenses

Operating expenses are recognised in statement of profit or loss and other comprehensive income upon utilisation of the service or at the date of their origin.

#### 5.4 Property and equipment

Property and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

Property and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

The useful lives applied to property and equipment are as follows:

• Fixtures and fittings;	9-14 years
• Equipment;	10 years
• Computers;	4 years
• Furniture;	7 years

#### 5.5 Inventory

Inventory is stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition on a weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

#### 5.6 Leased assets

##### *The Company as a lessee*

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;

## Notes to the financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.6 Leased assets (continued)

##### *The Company as a lessee (continued)*

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

##### *Measurement and recognition of leases as a lessee*

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position measured as follows:

##### *Right-of-use asset*

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

##### *Lease liability*

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

#### 5.7 Financial instruments

##### *5.7.1 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 and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

## Notes to the financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.7 Financial instruments (continued)

##### 5.7.1 Recognition, initial measurement and derecognition (continued)

Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either
  - (a) the Company has transferred substantially all the risks and rewards of the asset or
  - (b) the Company has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Company's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of profit or loss and other comprehensive income.

##### 5.7.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## Notes to the financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.7 Financial instruments (continued)

##### 5.7.3 Subsequent measurement of financial assets

###### a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Company's financial assets at amortised cost comprise of the following:

###### - Accounts receivable and other assets

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

###### - Cash and bank balances

Cash and bank balances comprise cash in hand and bank balances which are subject to an insignificant risk of changes in value.

##### 5.7.4 Impairment of financial assets

All financial assets except for those at FVTPL and equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Company recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost or at FVTOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward - looking information as described above. As for the exposure at default, for financial assets, this is represented by the asset's gross carrying amount at the reporting date.

The Company recognises lifetime ECL for accounts receivable and other assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.



## Notes to the financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.7 Financial instruments (continued)

##### 5.7.4 Impairment of financial assets (continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognises an impairment gain or loss in the statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

##### 5.7.5 Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include accounts payable and other liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

- **Financial liabilities at amortised cost**

These are stated using effective interest rate method. Accounts payable and other liabilities are classified as financial liabilities other than at FVTPL.

- *Accounts payable and other liabilities*

Accounts payable and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

#### 5.8 Impairment testing 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, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effect of future reorganisations and assets enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

#### 5.9 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

## Notes to the financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.10 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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.

#### 5.11 Equity and reserves

Share capital represents the nominal value of shares that have been issued and paid up.

Accumulated losses include all current and prior period losses. All transactions with owners of the Company are recorded separately within equity.

#### 5.12 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

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 is 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.

Contingent assets are not recognised in the financial statements, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

#### 5.13 Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, in addition to the end of service benefits, the Company makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

#### 5.14 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity, 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 denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

## Notes to the financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.15 Related party transactions

Related parties represent Parent Company, partners, key management personnel of the Company, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Company's management.

### 6 Significant management judgments and estimation uncertainty

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

#### 6.1 Significant management judgments

In the process of applying the Company's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the financial statements:

##### 6.1.1 Business model assessment

The Company classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 5.7). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

#### 6.2 Estimates 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.

##### 6.2.1 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain property and equipment.

##### 6.2.2 Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices. Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the statement of profit or loss and other comprehensive income.

##### 6.2.3 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Company based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

## Notes to the financial statements (continued)

### 7 Cost of beauty and slimming services

Cost of beauty and slimming services comprise of the following:

	Year ended 31 March 2020 KD	Year ended 31 March 2019 KD
Staff costs	127,236	121,208
Cost of beauty and slimming materials	36,097	19,776
	<b>163,333</b>	<b>140,984</b>

### 8 Property and equipment

	Fixtures and fittings KD	Equipment KD	Computers KD	Furniture KD	Total KD
<b>31 March 2020</b>					
<b>Cost</b>					
At 1 April 2019	1,637,166	104,806	5,360	17,945	1,765,277
Additions	-	25,000	-	-	25,000
At 31 March 2020	1,637,166	129,806	5,360	17,945	1,790,277
<b>Accumulated depreciation</b>					
At 1 April 2019	840,309	29,099	5,297	9,581	884,286
Charge for the year	88,540	11,542	63	2,770	102,915
At 31 March 2020	928,849	40,641	5,360	12,351	987,201
<b>Net book value at 31 March 2020</b>	<b>708,317</b>	<b>89,165</b>	<b>-</b>	<b>5,594</b>	<b>803,076</b>
<b>31 March 2019</b>					
<b>Cost</b>					
At 1 April 2018	1,637,166	60,059	5,360	17,945	1,720,530
Additions	-	44,747	-	-	44,747
At 31 March 2019	1,637,166	104,806	5,360	17,945	1,765,277
<b>Accumulated depreciation</b>					
At 1 April 2018	658,402	19,939	4,815	7,017	690,173
Charge for the year	181,907	9,160	482	2,564	194,113
At 31 March 2019	840,309	29,099	5,297	9,581	884,286
<b>Net book value at 31 March 2019</b>	<b>796,857</b>	<b>75,707</b>	<b>63</b>	<b>8,364</b>	<b>880,991</b>

Fixtures and fittings are related to the Company's healthcare fitness centers located in Kuwait. During the year, management of the Company revised its estimates with respect to the useful life of fixtures and fittings from 9 years to 14 years. Management believes that the new useful life reflects better estimate of the period over which these fixtures and fittings can be utilized.

## Notes to the financial statements (continued)

### 9 Right of use of assets

The Company leases building for its own use as offices as follows:

	31 March 2020 KD	31 March 2019 KD
<b>Cost</b>		
Balance at the beginning of the year (note 4.1)	136,026	-
Addition during the year	173,636	-
Balance at the end of the year	309,662	-
<b>Accumulated Depreciation</b>		
Balance at the beginning of the year	-	-
Charge for the year	(49,954)	-
Balance at the end of the year	(49,954)	-
<b>Net Book value</b>	259,708	-

### 10 Inventories

	31 March 2020 KD	31 March 2019 KD
Inventory for sale	7,003	3,308
	7,003	3,308

### 11 Accounts receivable and other assets

	31 March 2020 KD	31 March 2019 KD
<b>Financial assets:</b>		
Staff receivables	-	3,709
Refundable deposits	15,000	16,869
	15,000	20,578
<b>Non-financial assets:</b>		
Prepaid expenses	2,622	1,468
	17,622	22,046

### 12 Share capital

At 31 March 2020, the authorised, issued and paid up capital comprised of 100 shares of KD250 each (2019: 100 shares of KD250 each) distributed as follows:

	Number of shares	Nominal value KD
Mr.Loay Abdulaziz Khalid AlAbdulrazak	51	12,750
VLCC International Inc – British Virgin Islands (Parent Company)	49	12,250
	100	25,000

All shares are in cash.

## Notes to the financial statements (continued)

### 13 Statutory and voluntary reserves

As required by the Companies Law and the Company's Memorandum of Incorporation, 10% of the profit for the year is to be transferred to the statutory reserve until the balance reaches 50% of the Company's issued and paid-up capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.

In accordance with the Company's Memorandum of Incorporation, 10% of the profit for the year is to be transferred to the voluntary reserve. This transfer may be discontinued based on a resolution of the partners' general assembly. There are no restrictions on distribution of voluntary reserve.

No transfer is required in a year in which the Company has incurred a loss or where accumulated losses exist.

### 14 Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	31 March 2020 KD	31 March 2019 KD
Current	66,945	-
Non-current	195,833	-
	<u>262,778</u>	<u>-</u>

The Company has leased offices for its own use (note 9). Future minimum lease payments at 31 March 2020 were as follows:

	Minimum lease payments due			Total
	Within 1 year KD	1-5 years KD	Above 5 years KD	
<b>31 March 2020:</b>				
Lease payments	77,400	209,628	-	287,028
Finance charges	(10,455)	(13,795)	-	(24,250)
Net present values	<u>66,945</u>	<u>195,833</u>	<u>-</u>	<u>262,778</u>

The finance costs relating to lease liabilities charged during the year amounted to KD7,939.

### 15 Accounts payable and other liabilities

	31 March 2020 KD	31 March 2019 KD
<b>Financial liabilities</b>		
Trade payable	45,291	12,150
Leave and accrued expenses	74,650	53,317
Staff payable	7,961	-
	<u>127,902</u>	<u>65,467</u>
<b>Non-financial liabilities</b>		
Advances received from customers	12,985	9,241
	<u>140,887</u>	<u>74,708</u>

## Notes to the financial statements (continued)

### 16 Related party balances and transactions

Related parties represent Parent Company, partners, directors and key management personnel of the Company, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Company's management.

Details of significant related party balances and transactions are as follows:

	31 March 2020 KD	31 March 2019 KD
<b>Statement of financial position</b>		
Parent Company's current account (VLCC International Inc – British Virgin Islands)	2,335,272	2,279,434
	Year ended 31 March 2020 KD	Year ended 31 March 2019 KD
<b>Statement of profit or loss and other comprehensive income</b>		
Rent	-	77,400
Staff costs	-	58,900

### 17 Risk management objectives and policies

The Company's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

The management of the Company is ultimately responsible for the overall risk management and for approving risk strategies and principles. The Company's risk management focuses on actively securing the Company's short to medium term cash flows by minimizing the potential adverse effects on the Company's financial performance.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

#### 17.1 Market risk

##### a) Foreign currency risk

Foreign currency risk is the risk that the value of monetary financial instruments will fluctuate due to changes in foreign exchange rates. As at the reporting date the Company does not have any significant exposure to foreign currency denominated monetary assets or monetary liabilities and therefore, the Company is not exposed to any significant foreign currency risks.

##### b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company does not have any significant interest earning assets/bearing liabilities and consequently it is not exposed to any significant interest rate risks.

##### c) Equity price risk

Price risk arises from the possibility that changes in market prices will affect future profitability or fair value of financial instruments. The Company is not exposed to equity price risk.

## Notes to the financial statements (continued)

### 17 Risk management objectives and policies (continued)

#### 17.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	31 March 2020 KD	31 March 2019 KD
Accounts receivable and other assets – (note11)	15,000	20,578
Bank balances	2,492	12,151
	<b>17,492</b>	<b>32,729</b>

Bank balances are maintained with high credit quality financial institutions.

#### 17.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities when they fall due. To limit this risk management has arranged diversified funding sources, managed assets with liquidity in mind, and monitored liquidity on a daily basis.

The table below summarises the maturity profile of the Company's financial liabilities. The maturities of liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The Company maturity profile of financial liabilities based on discounted contractual arrangement is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over one year KD	Total KD
<b>2020</b>					
Accounts payable and other liabilities – (note 15)	25,580	38,371	63,951	-	127,902
Lease liabilities	5,465	16,517	44,963	195,833	262,778
	<b>31,045</b>	<b>54,888</b>	<b>108,914</b>	<b>195,833</b>	<b>390,680</b>
<b>2019</b>					
Accounts payable and other liabilities – (note 15)	8,090	26,100	31,277	-	65,467
	<b>8,090</b>	<b>26,100</b>	<b>31,277</b>	<b>-</b>	<b>65,467</b>



## Notes to the financial statements (continued)

### 18 Fair value measurement

The carrying amounts of the Company's financial assets and liabilities as stated in the statement of financial position are as follows:

	31 March 2020 KD	31 March 2019 KD
<b>Financial assets:</b>		
<i>Financial assets at amortised cost:</i>		
Accounts receivable and other assets – (note 11)	15,000	20,578
Cash and bank balances	3,784	12,852
	<b>18,784</b>	<b>33,430</b>
<b>Financial liabilities:</b>		
<i>Financial liabilities at amortised cost:</i>		
Accounts payable and other liabilities – (note 15)	127,902	65,467
Lease liabilities	262,778	-
	<b>390,680</b>	<b>65,467</b>

Management considers that the carrying amounts of financial assets and all financial liabilities, which are stated at amortised cost, approximate their fair values.

### 19 Capital risk management

The Company's capital management objectives are to ensure that it will be able to continue as a going concern and to provide adequate return to its partners through optimisation of the capital structure.

The capital of the Company consists of total equity. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to partners or issue new shares. The management monitors the Company's return on equity.

### 20 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity or net results for the year.

### 21 Effects of COVID-19

The outbreak of Coronavirus ("COVID-19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remain unclear at this time. Management of the Company is actively monitoring the effects COVID-19 may have on its business operations and on the reported amounts of the financial and non-financial assets, which represent management's best assessment based on current available information.