

VLCC International (L.L.C.)

Financial Statements

For the year ended March 31, 2021

**VLCC International (L.L.C.)
Financial Statements**

Table of contents

	Page(s)
Manager's report	1
Independent auditor's report	2 - 4
Statement of financial position	5
Statement of profit or loss and other comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9 - 37



VLCC International LLC
3101, Al Saqr Business Tower,
Sheikh Zayed Road
P.O.Box: 122207, Dubai, UAE

T +971 4 327 3574
+971 4 343 5633
F +971 4 343 5636
www.vlccwellness.com

Manager's report

Dear Shareholders,

The Manager of your company is pleased to present the report and the audited financial statements of the Company for the year ended March 31, 2021.

Business Overview

During financial year ending March 2021, our business achieved the revenue of AED 41.14 million (Previous Year AED 48.48 million), a decline of 15%. Since the Company has optimized its expenses has been resulted in increase in EBITDA margin from AED 37% to 42%.

The financial results for the year are:

	(Amt in AED Million)	
Financial Year (March ending)	20-21	19-20
Revenue	41.14	48.48
Less: Operating Expenses	18.48	24.24
Operating Profit	22.66	24.25
		50%
Marketing, Advt. & Launch Expenses	1.63	2.42
Administrative Expenses	3.74	3.96
EBITDA	17.28	17.34
	42%	37%
Depreciation	11.35	12.57
Finance costs	2.92	3.85
Profit for the year	3.84	1.45


During the year, the Company made investment on dermat and laser business and it gave desired results. The Company is continued to purchase new technology machine for its slimming and beauty business. The Company has invested on digital marketing and on remarketing which helped in improving conversion rates.

Auditors

A resolution to reappoint Grant Thornton, as the auditors for the ensuing year, will be put to the members at the Annual General Meeting.

Acknowledgement

Your Manager takes this opportunity to thank all vendors, customers, banks, regulatory and government authorities for their continued support. Your Manager places on record his appreciation for the significant contribution by the employees in the initiatives of the Company.


For and on behalf of

VLCC International LLC



**Grant Thornton
United Arab Emirates**

Rolex Tower
Level 23
Sheikh Zayed Road
P.O. Box 1620
Dubai

T +971 4 388 9925
F +971 4 388 9915

**Independent Auditor's Report
To the Shareholders of VLCC International L.L.C.**

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of VLCC International L.L.C. (the "Company"), which comprise the statement of financial position as at March 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended March 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements presents fairly in all material respects, the financial position of the Company as at March 31, 2021, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* ("IESBA Code") together with the other ethical requirements that are relevant to our audit of the Company's financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and Memorandum of Association of the Company, 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.

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



Grant Thornton

An instinct for growth™

**Independent Auditor's Report
To the Shareholders of VLCC International L.L.C. (continued)**

Report on the Audit of Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 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.



Grant Thornton

An instinct for growth™

**Independent Auditor's Report
To the Shareholders of VLCC International L.L.C. (continued)**

Report on the Audit of Financial Statements (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) We have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015; and the Memorandum of Association of the Company;
- iii) The Company has maintained proper books of account;
- iv) The financial information included in the Managers' report is consistent with the books of account of the Company;
- v) As disclosed in note 1 to the financial statements, the Company has not purchased or invested in any shares during the financial year ended March 31, 2021;
- vi) Note 8 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended March 31, 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015, or of its Memorandum of Association which would materially affect its activities or its financial position as at March 31, 2021.
- viii) Based on the information that has been made available to us, the Company has not made any social contributions during the financial year ended March 31, 2021; and

Grant Thornton
Grant Thornton

Farouk Mohamed
Registration No. 86
Dubai, July 04, 2021



VLCC International (L.L.C.)
Financial Statements

Statement of financial position
As at March 31, 2021

	Notes	2021 AED	2020 AED
ASSETS			
Non-current			
Property and equipment	6	<u>56,074,935</u>	<u>62,624,949</u>
Current			
Inventories	7	2,685,080	2,164,170
Amount due from a related party	8	11,226,315	8,266,925
Other receivables	9	5,477,794	6,403,036
Cash and bank balances	10	<u>382,819</u>	<u>53,284</u>
		<u>19,772,008</u>	<u>16,887,415</u>
TOTAL ASSETS		<u>75,846,943</u>	<u>79,512,364</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	300,000	300,000
Legal reserve	12	150,000	150,000
Additional capital contributed		2,800,000	2,800,000
Actuarial loss	14.8	(878,842)	(737,271)
Retained earnings		<u>33,078,984</u>	<u>29,236,133</u>
Total equity		<u>35,450,142</u>	<u>31,748,862</u>
LIABILITIES			
Non-current liabilities			
Long term portion of lease liability	13	8,000,474	10,304,259
Employees' end of service benefits	14.2	882,742	950,159
Accumulated compensated absences	14.5	736,227	721,301
Bank borrowings (non-current)	15	<u>5,393,173</u>	<u>8,453,758</u>
		<u>15,012,616</u>	<u>20,429,477</u>
Current liabilities			
Current portion of lease liability	13	5,117,408	5,676,483
Bank borrowings (current)	15	9,977,678	9,894,904
Trade and other payables	16	6,743,191	9,115,323
Deferred revenue	17	<u>3,545,908</u>	<u>2,647,315</u>
		<u>25,384,185</u>	<u>27,334,025</u>
Total liabilities		<u>40,396,801</u>	<u>47,763,973</u>
TOTAL EQUITY AND LIABILITIES		<u>75,846,943</u>	<u>79,512,364</u>


 Sandeep Ahuja
 Director
 Dubai, United Arab Emirates



The accompanying notes 1 to 23 form an integral part of these financial statements.

VLCC International (L.L.C.)
Financial Statements

Statement of profit or loss and other comprehensive income
For the year ended March 31, 2021

	Notes	2021 AED	2020 AED
Revenue	18	41,141,152	48,481,533
Consumables	19	(3,310,127)	(4,026,663)
Staff salaries and benefits	20	(15,170,391)	(20,208,909)
Advertisement and business promotion		(1,633,719)	(2,415,739)
Administrative and general expenses	21	(3,744,312)	(3,969,748)
Depreciation	6	(11,355,509)	(12,573,474)
Finance costs		(2,920,666)	(3,850,220)
Other income	13.1	836,423	12,284
Net profit for the year		3,842,851	1,449,064
Other comprehensive income			
<i>Other comprehensive (loss)/ income that will not be re-classified subsequently to income statement</i>			
Remeasurement (loss) on define benefit liability	14.4	(141,571)	(58,650)
Total other comprehensive income		(141,571)	(58,650)
Total comprehensive income for the year		3,701,280	1,390,414

The accompanying notes 1 to 23 form an integral part of these financial statements.

**VLCC International (L.L.C.)
Financial Statements**

**Statement of changes in equity
For the year ended March 31, 2021**

	Share capital AED	Additional contributed capital AED	Legal reserve AED	Actuarial loss AED	Retained earnings AED	Total equity AED
Balance at April 1, 2019	300,000	-	150,000	(678,621)	27,845,719	27,617,098
Net profit for the year	-	-	-	-	1,390,414	
Other comprehensive loss	-	-	-	(58,650)	-	(58,650)
Total comprehensive income for the year	-	-	-	(58,650)	1,390,414	1,331,764
Funds introduced during the year	2,800,000	-	-	-	-	2,800,000
Balance at March 31, 2020	300,000	2,800,000	150,000	(737,271)	29,236,133	31,748,862
Profit for the year	-	-	-	-	3,842,851	3,842,851
Other comprehensive loss (note 14.4)	-	-	-	(141,571)	-	(141,571)
Total comprehensive income for the year	-	-	-	(141,571)	3,842,851	3,701,280
Balance as at March 31, 2021	300,000	2,800,000	150,000	(878,842)	33,078,984	35,450,142

The accompanying notes 1 to 23 form an integral part of these financial statements.

VLCC International (L.L.C.)
Financial Statements

Statement of cash flows
For the year ended March 31, 2021

	Notes	2021 AED	2020 AED
OPERATING ACTIVITIES			
Net profit for the year		3,842,851	1,390,414
<i>Adjustments</i>			
Depreciation	6	11,355,509	12,573,474
Provision for employees' end of service benefits	14.2	255,972	297,318
Provision / write back for accumulating compensated absences	14.5	9,153	(70,081)
Finance costs – net		2,193,828	3,850,220
Operating cash flows before changes in working capital		<u>17,657,313</u>	<u>18,099,995</u>
<i>Net changes in working capital:</i>			
Inventories		(520,910)	332,032
Amount due from / (to) related parties, net		(2,959,390)	(791,751)
Other receivables		925,242	(656,045)
Deferred revenue		898,593	(749,570)
Trade and other payables		(2,742,895)	(3,207,446)
Employees' end of service benefits and accumulated compensated absences paid	14.2	<u>(495,609)</u>	<u>(746,942)</u>
Net cash from operating activities		<u>12,762,344</u>	<u>12,280,273</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		<u>(3,653,570)</u>	<u>(5,305,048)</u>
Net cash used in investing activities		<u>(3,653,570)</u>	<u>(5,305,048)</u>
FINANCING ACTIVITIES			
Payment of lease liabilities		(5,341,748)	(5,953,285)
Additional capital introduced		-	2,800,000
Proceeds / repayment of bank borrowings - net		82,774	141,414
Finance cost paid		<u>(2,920,666)</u>	<u>(3,850,220)</u>
Net cash (used in)/ from financing activities		<u>(8,179,640)</u>	<u>(6,862,091)</u>
Net change in cash and cash equivalents		929,134	113,134
Cash and cash equivalents, beginning of year		<u>(2,226,470)</u>	<u>(2,339,604)</u>
Cash and cash equivalents, end of year	10	<u>(1,297,336)</u>	<u>(2,226,470)</u>

The notes from 1 to 23 form an integral part of these financial statements.

**VLCC International (L.L.C.)
Financial Statements**

**Notes to the financial statements
For the year ended March 31, 2021**

1 Legal status and operations

VLCC International (L.L.C.) (the “Company”) is a limited liability company incorporated as per license No. 575578 issued by the Government of Dubai, United Arab Emirates (UAE), under the U.A.E. Federal Law No. 8 of 1984 (as amended) which was superseded by Federal Law No. (2) of 2015. The registered address of the Company is P.O. Box 122207, Al Saqr Tower, Sheikh Zayed Road, Dubai, UAE.

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.

The Company is mainly engaged in operating beauty, slimming, fitness and health centres.

The Company did not purchase or invest in any shares during the year ended March 31, 2021. There have been no social contributions during the year.

The financial statements were approved and signed by management on July 04, 2021

2 Statement of compliance with IFRS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) and comply, where applicable with the relevant Articles of Association of the Company and the requirements of the UAE Federal Law No. (2) of 2015.

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. (2) of 2015 on Commercial Companies was issued on September 27, 2020 and the amendments came into effect on January 02, 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

3 Significant events during the reporting period

During the period, there was an outbreak of a global pandemic (COVID-19), causing significant disruption to economies and businesses across the globe including the Company. The impact of this outbreak on the macroeconomic forecasts did not have a significant impact in the Company’s financial and non-financial assets; thus, there were no impairment made as at March 31, 2020. Management will continue to monitor the situation and assess the impact of this outbreak in fiscal 2021.

4 New standards, interpretations, and amendments adopted by the Company

4.1 New standards adopted as at January 1, 2020

Following relevant new amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after March 31, 2020 and have been adopted by the Company:

- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7);
- Amendments to References to the Conceptual Framework (Various Standards); and
- COVID-19 Rent Related Concessions (Amendments to IFRS 16).

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

4 New standards, interpretations, and amendments adopted by the Company (continued)

4.1 New standards adopted as at January 1, 2020 (continued)

The above amendments do not have a significant impact on these financial statements therefore the disclosures have not been made.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

Management have assessed the implementation of this new standard and determined that it has no material impact on leases in terms of the amount and timing of lease recognition. Summary of significant accounting policies.

5 Summary of significant accounting policies

5.1 Overall considerations

The significant accounting policies have been applied consistently and these 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 following accounting policies:

5.2 Basis of preparation

The Company's financial statements have been prepared on an accrual basis and under the historical cost convention.

5.3 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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 denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.4 Revenue recognition

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. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from contracts with customers

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.

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.4 Revenue recognition (continued)

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.

(i) Rendering of services and sale of goods

Revenue mainly arises from rendering of services and is recognised over a period of time, when the services are provided.

(ii) Sale of goods

Revenue arises mainly from the sale of beauty products and is recognised at a point in time.

(iii) Advance from customers

If a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (i.e., a receivable), before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

5.5 Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include cost of replacing part of the property and equipment and borrowing cost for long-term construction projects if the recognition criteria are met. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress is stated at cost, including borrowing costs incurred for financing the asset. All costs related to specific assets incurred during the year are carried under this heading. These are transferred to specific asset classification when they are available for use.

**VLCC International (L.L.C.)
Financial Statements**

**Notes to the financial statements (continued)
For the year ended March 31, 2021**

5 Summary of significant accounting policies (continued)

5.5 Property and equipment

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

	Number of years
Leased assets – right of use asset	3-5
Leaschold improvements	9
Equipment	9
Computers	4
Furniture and fixtures	7
Motor vehicles	4

5.6 Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. The cost of inventories comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition, including direct costs which are direct expenses incurred on freight, custom, storage and handling charges. The cost of inventories is assigned using the first-in, first-out (FIFO) method and total direct costs incurred on purchases are allocated to inventory as proportion to the cost of sales. Provision is made for slow-moving and obsolete items based on management's judgement.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

5.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and with bank with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

5.8 Employee benefits

Short-term employee benefits

The costs of short-term employee benefits (those payable within 12 months after the service is rendered) are recognised in the period in which the service is rendered and are not discounted.

Compensated absences

The expected cost of accumulating compensated absences is recognised as an expense when the employee renders services that increase their entitlement or, in the case of non-accumulating absences, when the absences occur.

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.8 Employee benefits (continued)

Employees' end of service benefits

The Company operates an unfunded defined benefit plan for gratuity, covering all eligible employees, as specified in UAE Labour Law. The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in UAE Labour Law. The expected costs of these benefits are accrued over the period of employment.

Defined benefit plans

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related gratuity liability.

Service cost on the Company's defined benefit obligation is included in employee benefits expense. Employee contributions, if any, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit obligation is included in finance costs. Gains and losses resulting from re-measurements of the net defined benefit obligation are included in profit or loss.

5.9 Operating expenses

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

5.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets; until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on a qualifying asset is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

5.11 Financial Instruments

Recognition and derecognition

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

**VLCC International (L.L.C.)
Financial Statements**

**Notes to the financial statements (continued)
For the year ended March 31, 2021**

5 Summary of significant accounting policies (continued)

5.11 Financial instruments (continued)

Recognition and derecognition (continued)

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets at amortised cost

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and,
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVOCI or FVTPL.

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; and,
- 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 method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, due from related parties, and other receivables fall into this category of financial instruments.

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.

**VLCC International (L.L.C.)
Financial Statements**

**Notes to the financial statements (continued)
For the year ended March 31, 2021**

5 Summary of significant accounting policies (continued)

5.11 Financial instruments (continued)

Impairment of financial assets (continued)

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.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Company's financial liabilities includes bank borrowings, trade and other payables, due to a related party, lease liability and contract liability.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured 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 costs or finance income.

**VLCC International (L.L.C.)
Financial Statements**

**Notes to the financial statements (continued)
For the year ended March 31, 2021**

5 Summary of significant accounting policies (continued)

5.11 Financial instruments (continued)

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

5.12 Capital management policies and procedures

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. No changes were made in the objectives, policies or processes during the years ended March 31, 2021 and March 31, 2020. Capital comprises share capital, legal reserve, additional capital contribution, actuarial loss, and retained earnings and is measured at AED 35,450,142 as at March 31, 2021 (2020: AED 31,748,862).

5.13 Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether billed by the supplier or not

5.14 Leases and right -of-use of assets

The Company has recorded right-of-use assets representing the right to use the underlying assets under property and equipment, net investments in lease representing the net present value of receivable from intermediate lease, and the corresponding lease liabilities to make lease payments under other liabilities.

For any new contracts entered into on or after January 1, 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; and
- 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

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.

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.14 Leases and right-of-use of assets (continued)

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 balance sheet. 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).

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.

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 will be 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.⁰

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.

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.

On the statement of financial position, right-of-use assets have been included in property and equipment and lease liabilities have been disclosed separately on the face of the statement of financial position.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

5.15 Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.15 Provisions and contingent liabilities (continued)

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle

a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Contingent assets are not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

5.16 Value-Added Tax (VAT)

Revenue, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sale of goods and/or services (output VAT) exceeds VAT passed on from purchase of goods or services (input VAT), the excess is recognized as a payable in the statement of financial position. When VAT passed on from purchase of goods or services (input VAT) exceeds VAT from sale of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

5.17 Significant management judgements and estimates in applying accounting policies

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources.

The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. However, the resulting accounting estimates may differ from actual results.

The estimates and assumptions pose a risk of causing adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. Significant area of estimate and judgement for the Company includes:

Judgments

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

**VLCC International (L.L.C.)
Financial Statements**

**Notes to the financial statements (continued)
For the year ended March 31, 2021**

5 Summary of significant accounting policies (continued)

5.17 Significant management judgements and estimates in applying accounting policies (continued)

Estimates

Impairment losses on receivables

The Company's reviews its receivables and due from related party to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables. In determining whether an impairment loss should be recorded in the profit or loss, the Company's makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company's recognises loss allowance for ECLs on financial assets measured at amortised cost. ECLs are a probability weighted estimate of credit losses. ECL computation uses historical trends and a forward-looking element to compute percentage allowance to be recorded as impairment loss on trade receivables. Should any of these input estimates vary, the profit or loss and financial position of the following year(s) would be significantly impacted.

Impairment of inventories

Impairment of inventories reflects estimates of losses arising from the presence of slow-moving items in the inventories. The charge is based on management discretion after analysing the inventory movement. Changes to the estimated provision may be required if the item of inventory already provided for is sold.

Useful lives of depreciable assets

The Company's management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

**VLCC International (L.L.C.)
Financial Statements**

**Notes to the financial statements (continued)
For the year ended March 31, 2021**

5 Summary of significant accounting policies (continued)

5.17 Significant management judgements and estimates in applying accounting policies (continued)

Defined benefit obligation

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Capitalisation of salaries

Certain portion of staff and key management personnel salaries is capitalised in capital work in progress who are involved in development and relocation of Centres as mentioned in note 6. This allocation is done based on the best estimate of the time proportion spent for this development/relocation work.

**VLCC International (L.L.C.)
Financial Statements**

**Notes to the financial statements (continued)
For the year ended March 31, 2021**

6	Property and equipment	Description	Leased assets		Leasehold improvements		Equipment	Computers	Furniture and fixtures	Motor vehicles	*Capital work in progress	Total
			AED	AED	AED	AED						
	Cost											
	Balance at April 1, 2020	20,932,874	96,669,751	22,128,361	1,663,386	3,831,497	2,286,215	1,301,388	148,813,472			
	Adjustment on transition to IFRS 16	2,413,999	-	-	-	-	-	-	2,413,999			
	Additions	-	-	1,399,501	11,110	-	-	980,885	2,391,496			
	Balance at March 31, 2021	23,346,873	96,669,751	23,527,862	1,674,496	3,831,497	2,286,215	2,282,273	153,618,967			
	Accumulated depreciation											
	Balance as at April 1, 2020	5,773,967	62,145,830	11,064,489	1,473,118	3,444,904	2,286,215	-	86,188,523			
	Charge for the year	5,245,443	4,315,491	1,658,307	39,641	96,628	-	-	11,355,509			
	Balance at March 31, 2021	11,019,410	66,461,321	12,722,796	1,512,759	3,541,532	2,286,215	-	97,544,032			
	Net Carrying amount at March 31, 2021	12,327,463	30,208,430	10,805,066	161,737	289,965	-	2,282,273	56,074,935			

*Capital work in progress relates to the construction work that is in process at Al Ain Centre in the UAE.

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

Description 2020	6 Property and equipment (continued)									
	Leased assets AED	Leasehold improvements AED	Equipment AED	Computers AED	Furniture and fixtures AED	Motor vehicles AED	*Capital work in- progress AED	Total AED		
Cost										
Balance at April 1, 2019	-	116,751,373	20,920,456	1,641,517	3,993,524	2,286,215	-	145,593,085		
Adjustment on transition to IFRS 16	20,932,874	-	-	-	-	-	-	20,932,874		
Additions	-	2,034,932	1,890,848	71,880	6,000	-	1,301,388	5,305,048		
Disposals/write-offs	-	(22,116,554)	(682,943)	(50,011)	(168,027)	-	-	(23,017,535)		
Balance at March 31, 2020	20,932,874	96,669,751	22,128,361	1,663,386	3,831,497	2,286,215	1,301,388	148,813,472		
Accumulated depreciation										
Balance as at April 1, 2019	-	79,813,635	10,028,243	1,398,460	3,442,282	1,949,964	-	96,632,584		
Charge for the year	5,773,967	4,448,749	1,719,189	124,669	170,649	336,251	-	12,573,474		
Disposals/write-offs	-	(22,116,554)	(682,943)	(50,011)	(168,027)	-	-	(23,017,535)		
Balance at March 31, 2020	5,773,967	62,145,830	11,064,489	1,473,118	3,444,904	2,286,215	-	86,188,523		
Net Carrying amount at March 31, 2020	15,158,907	34,523,921	11,063,872	190,268	386,593	-	1,301,388	62,624,949		

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

7 Inventories

	2021	2020
	AED	AED
Consumables	2,562,115	1,806,300
Goods held for sale	122,965	357,870
	<u>2,685,080</u>	<u>2,164,170</u>

8 Related parties transactions and balances

The Company enters into transactions with majority shareholders and other companies and entities that fall within the definition of a related party as contained in *International Accounting Standard 24: Related Party Disclosures*. Related parties comprise associated companies, directors, majority shareholders, companies and entities jointly controlled or significantly influenced and under common ownership and/or common management control and key management personnel. Pricing policies and terms and conditions of these transactions are approved by the Company's management. At the reporting date, the following amounts were due from/to related parties:

8.1 Amounts due from a related party

	2021	2020
	AED	AED
<i>Parent company</i>		
VLCC International Inc.	11,226,315	8,266,925
	<u>11,226,315</u>	<u>8,266,925</u>

8.2 Transactions with related parties

	2021	2020
	AED	AED
<i>Entities under common control</i>		
Purchases	347,449	1,330,459
Expenses incurred on behalf of related parties	11,400,000	14,169,350
Contributed capital	-	2,800,000
	<u>-</u>	<u>2,800,000</u>

8.3 Key management personnel compensation

Key management are the executive employees of the Company. Key management personnel remuneration includes the following expenses:

	2021	2020
	AED	AED
Salaries and other benefits	555,021	1,329,500
End of service benefits	4,667	300,000
	<u>560,000</u>	<u>1,629,500</u>

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

9 Other receivables

	2021	2020
	AED	AED
<i>Financial assets</i>		
Security deposits	1,277,018	1,850,048
Cash margin deposits	1,352,700	1,628,175
Other receivables	805,542	93,068
	<u>3,435,260</u>	<u>3,571,291</u>
<i>Non-financial assets</i>		
Prepayments	1,692,962	2,483,963
Advance to suppliers	349,572	347,782
	<u>2,042,534</u>	<u>2,831,745</u>
	<u>5,477,794</u>	<u>6,403,036</u>

10 Cash and bank balances

	2021	2020
	AED	AED
Cash on hand	115,456	14,441
Cash at bank	267,363	38,843
	<u>382,819</u>	<u>53,284</u>

For the purpose of statement of cashflow, cash and cash equivalents comprise of:

	2021	2020
	AED	AED
Cash on hand	115,456	14,441
Cash at bank	267,363	38,843
Bank overdraft (note 15)	(1,680,155)	(2,279,754)
Cash and cash equivalents	<u>(1,297,336)</u>	<u>(2,226,470)</u>

11 Share capital

	2021	2020
	AED	AED
<i>Authorised, issued and paid up capital</i>		
300 shares of AED 1,000 each	<u>300,000</u>	<u>300,000</u>

12 Legal reserve

In accordance with the Articles of Association of the Company and Article 103 of the UAE Federal Law No. (2) of 2015, a minimum of 10% of the net profit of the Company is required to be transferred to legal reserve every year. Such transfers are required to be made until the balance on the legal reserve equals one half of the Company's paid-up share capital. No transfers were made during the year (2020: Nil) as the legal reserve already equals one half of the Company's paid-up share capital.

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

13 Lease liability

	2021 AED	2020 AED
Balance at April 1, 2020	15,980,742	20,932,874
Additions during the year	2,413,999	-
Interest of lease liability	923,220	1,255,665
Write back of lease liabilities no longer required	(858,331)	-
Lease payment made during the year	(5,341,748)	(6,207,797)
Balance at March 31, 2021	<u>13,117,882</u>	<u>15,980,742</u>

Lease liability is classified as follows:

Long term portion of lease liability	8,000,474	10,304,259
Current portion of lease liability	5,117,408	5,676,483
	<u>13,117,882</u>	<u>15,980,742</u>

Amounts recognised in profit or loss and other comprehensive income

	2021 AED	2020 AED
Interest expenses on lease liability	923,220	1,255,665
Depreciation of right to use assets	5,245,443	5,773,967
Write back of lease liabilities no longer required	(858,331)	-
	<u>5,310,332</u>	<u>7,029,632</u>

- 13.1** As described in Note 13 above the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

The Company elected to apply the practical expedient of lease modification to all rent concessions that meets the respective conditions. Under the guidelines, the Company recorded an income of AED 858,331 (2020: AED Nil) in statement of profit or loss and other comprehensive income that arise due to rent concession.

14 Long-term employee benefits payable

14.1 Employees' end of service benefits

Valuations in respect of Employees' end of service benefits has been carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation, as at the reporting date.

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

14 Long-term employee benefits payable (continued)

14.2 Changes in present value of obligation

	2021 AED	2020 AED
Balance at April 1	1,301,371	1,692,345
Charge for the year	397,453	355,968
Payments during the year	(495,609)	(746,942)
Balance at March 31	1,203,305	1,301,371
Less: current portion	(320,563)	(351,212)
Non-current portion	882,742	950,159

14.3 Expense recognised in the Statement of Comprehensive income

	2021 AED	2020 AED
Interest cost*	81,206	121,680
Current service cost*	174,766	175,638
Actuarial loss*	141,571	58,650
Amount recognised in profit or loss and other comprehensive income	397,543	355,968

* Included under staff salaries and benefits.

14.4 Remeasurements- Actuarial loss

	2021 AED	2020 AED
Effect of change in assumptions	25,450	66,880
Effect of change in demographic assumption	-	170
Effect of experience adjustment	116,121	(8,400)
	141,571	58,650

14.5 Accumulated compensated absences

	2021 AED	2020 AED
Balance at April 1,	897,092	967,173
Charge for the year	9,153	(70,081)
Balance at March 31,	906,245	897,092
Less: current portion	(170,018)	(175,791)
Non-current portion	736,227	721,301

14.6 Key assumptions used by actuary

	2021 AED	2020 AED
Discount rate	5.86% p.a.	6.24% p.a.
Salary growth	4.00% p.a.	4.00% p.a.
Retirement age	60 years	60 years

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

14 Long-term employee benefits payable (continued)

14.7 Sensitivity analysis

	Employees' end of service benefits	Accumulated compensated absences
Discount rate + 100 basis points	(65,001)	(48,978)
Discount rate - 100 basis points	71,799	54,272
Salary growth + 100 basis points	72,410	54,752
Salary growth - 100 basis points	(66,727)	(50,260)

14.8 Actuarial loss

	2021 AED	2020 AED
Amount recognized in OCI, (gain) / loss beginning of period	737,271	678,621
Effect of change in financial assumptions	25,450	66,880
Effect of change in demographic assumptions	-	170
Effect of experience adjustments	116,121	(8,400)
Total Remeasurements Recognised in OCI (Gain)/Loss	141,571	58,650
Amount recognized in OCI (gain)/loss, end of period	878,842	737,271

15 Borrowings

	2021 AED	2020 AED
Term loans	12,012,479	13,851,512
Motor vehicle loans	-	225,216
Working capital loans	1,678,217	1,992,180
Bank overdraft	1,680,155	2,279,754
	<u>15,370,851</u>	<u>18,348,662</u>
Non-current		
Term loans	5,393,173	8,453,758
	<u>5,393,173</u>	<u>8,453,758</u>
Current		
Term loans	6,619,306	5,397,754
Motor vehicle loans	-	225,216
Working capital loans	1,678,217	1,992,180
Bank overdraft	1,680,155	2,279,754
	<u>9,977,678</u>	<u>9,894,904</u>
	<u>15,370,851</u>	<u>18,348,662</u>

15.1 The bank borrowing except the vehicle loans carries interest at 1-month EIBOR + 4.75% (2020: 6 months LIBOR + 3.75%). Motor vehicle loans are secured against the vehicles purchased and carry an interest rate of 5-6%.

15.2 During the year the Company have not utilized the facilities amounting to AED 7,379,149 (2020: AED 4,626,554) from financial institutions.

15 Borrowings (continued)

15.3 The Company had not drawn facilities amounting to AED 11,000,000 (2020: AED 11,000,000) from the financial institutions.

These facilities are secured against the following:

- Corporate guarantee of M/s VLCC International Inc., British Virgin Islands (the "Guarantor"), supported by Board Resolution (notarized and legalized);
- Corporate guarantee of M/s. VLCC Healthcare Limited, India (the "Guarantor"), supported by Board;
- Resolution for AED 27,000,000/- (notarized and legalized);
- Corporate guarantee of M/s. VLCC (Middle East) LLC, Dubai (the "Guarantor"), supported by Board Resolution;
- Pledge over 100% shares of the Borrower, in favor of the Bank;
- Pledge over point of sale (POS) /current account/ Debt Service Reserve Account /receivable account in the name of the Borrower, in favor of the Bank
- Irrevocable assignment of Point of Sale (POS) proceeds/ collection of the Borrower's / Customer's branches/outlets and/or any new branches/outlets being opened, in favour of the Bank;
- Assignment of insurance policy covering stocks and fixed assets of all existing and to be opened outlets, in favour of the Bank for a minimum amount of AED 23,500,000/-;
- Assignment of Franchise Agreement for UAE entities, in favour of the Bank;
- Irrevocable and unconditional undertaking from Guarantors as mentioned below;
- No material amendment in the Franchise Agreement to be done without prior written consent from the Bank;
- To provide exclusive usage rights to the Borrower with no payment of royalty, trademark, management fee etc. or any other charge/ fees, until outstanding with the Bank is fully settled;
- Settlement cheque covering the total Facilities amount drawn by the Borrower, on and in favour of the Bank;
- General assignment of receivables, in favour of the Bank;
- Subordination to the Bank, of shareholders' loan and current account balances;
- Mortgage over assets financed by the Bank covering the Equipment Finance Loan;
- Assignment of insurance policy covering assets financed by the Bank covering the Equipment Finance Loan;
- Equipment Finance Lease Agreement whereby title of the assets financed will be held in favour of National Bank of Fujairah RISC till all lease obligations are settled in full. For all registerable assets mortgage favouring the Bank to be provided;
- Indemnity for Foreign Exchange, Currency Option, Commodity Derivatives and Interest Rate Derivatives Indemnity;
- International Swap and Derivatives Association Agreement, supported by Shareholders' Resolution;
- Credit Facilities Agreement; and

These are also secured against the following financial covenants:

- Minimum fixed charge cover rate (FCCR) to be maintained at 1.25:1 for the financial year 2020 and 1.25:1 from the financial year 2021 onwards.
- Leverage ratio for the Company not to exceed 1.50:1 for the financial year March 2020, 2:1 thereafter. There is no breach in any financial covenants as at March 31, 2021 and March 31, 2020.

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

15 Borrowings (continued)

Bank Name	Facility description	Rate of interest	Sanctioned amount	EMI	Currency	Loan type	March 31, 2021	EMI pending as on March 31, 2021	Nature	Instalment per month
Financial Institution	Equipment Finance - Leasing - LD1930000049	6.00%	189,000.00	39	AED	Capex Loan	115,500.00	22	Principal	5,250.00
	Equipment Finance - Leasing - LD1931700018	6.00%	450,000.00	35	AED	Capex Loan	212,500.00	17	Principal	12,500.00
	Equipment Finance - Leasing - LD1931700018	6.00%	203,700.00	31	AED	Capex Loan	96,179.00	17	Principal	5,659.00
Total		6.00%	166,830.00	31	AED	Capex Loan	109,077.00	17	Principal	6,417.00
		6.00%	16,193,261.48	35	AED	Loan A/c	11,479,223.14	22	Principal	521,782.87
		-	17,202,791.48	-	-	-	*12,012,479.14	-	-	551,608.87

* Refer note 15 term loan

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

15 Borrowings (continued)

Bank Name	Facility Description	Rate of Interest	Sanctioned Amount	EMI	Currency	Loan type	March 31, 2020	EMI pending as on March 31, 2020	Nature	Instalment per month
	Equipment Finance - Leasing - LD1930000049	6.00%	189,000	39	AED	Capex Loan	168,000	35	Principal	5,250
	Equipment Finance - Leasing - LD1931700018	6.00%	450,000	35	AED	Capex Loan	325,000	31	Principal	12,500
Financial Institution	Equipment Finance - Leasing - LD1931700024	6.00%	231,000	31	AED	Capex Loan	147,110	26	Principal	5,659
	Equipment Finance - Leasing - LD1933000004	6.00%	166,830	31	AED	Capex Loan	166,830	26	Principal	6,417
	Medium - Term Loan -	6.00%	16,193,261	35	AED	Loan A/c	13,044,572	28	Principal	449,813
	Equipment Finance - Leasing -	6.00%	189,000	39	AED	Capex Loan	168,000	35	Principal	5,250
Total		-	17,419,091	-	-	-	*13,851,512	-	-	484,889

* Refer note 15 term loan

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

16 Trade and other payables

	2021 AED	2020 AED
<i>Financial liabilities:</i>		
Trade payables	2,088,040	3,729,702
Accrued expenses	3,364,149	4,248,714
Employees' end of service benefits	320,563	351,209
Accumulated compensated absences	170,018	175,740
	<u>5,942,770</u>	<u>8,505,365</u>
<i>Non-financial liabilities</i>		
VAT payable	541,311	474,597
Other payables	259,110	135,358
	<u>800,421</u>	<u>609,955</u>
	<u>6,743,191</u>	<u>9,115,320</u>

17 Deferred revenue

Contract liabilities represent the Company's obligation to transfer goods or services for which the customer has already paid a consideration, or when the amount is due from the customer. These contract liabilities mainly relates to the advances received against retail services which includes facial, hair colour etc. and for packages which includes weight loss packages, laser treatment, beauty packages for skin / hair.

18 Revenue

	2021 AED	2020 AED
Rendering of services	39,904,356	46,450,087
Sale of products	1,236,796	1,941,528
Franchise fee	-	89,917
	<u>41,141,152</u>	<u>48,481,533</u>
<i>Timing of revenue recognition</i>		
<i>Revenue recognised over time</i>		
Rendering of services	39,904,356	46,450,087
<i>Revenue recognised at a point in time</i>		
Sale of products	1,236,796	1,941,528
Franchise fee	-	89,918

Geographical markets

All revenues are generated from the United Arab Emirates.

VLCC International (L.L.C.)
Financial Statements

Notes to the financial statements (continued)
For the year ended March 31, 2021

19 Consumables

	2021 AED	2020 AED
Opening inventory	2,164,170	2,496,202
Add: consumable - consumed	1,986,405	1,047,418
Add: consumable - laser & dermat	1,609,222	2,216,991
Add: consumable - bellewave series	138,494	322,422
Add: consumable - VLPC series	96,916	107,800
Closing inventory	(2,685,080)	(2,164,170)
	<u>3,310,127</u>	<u>4,026,663</u>

20 Staff salaries and benefits

	2021 AED	2020 AED
Salaries and benefits	11,657,539	16,057,047
Incentive expenses	1,881,260	1,895,275
Staff insurance	400,154	495,307
Employment visa expenses	389,910	674,573
Staff welfare	299,835	266,221
Annual benefits (note 14.3)	255,972	303,667
Staff licenses	141,224	269,075
Staff training expenses	94,771	231,835
Rent and staff accommodation	49,726	74,559
	<u>15,170,391</u>	<u>20,267,559</u>

21 Administrative and general expenses

	2021 AED	2020 AED
Housekeeping and laundry expenses	917,333	1,364,360
Repairs and maintenance	485,028	371,466
Others	477,173	771,477
Travelling, conveyance and vehicle maintenance	413,337	230,736
Communication	399,052	357,962
License fees	366,458	31,375
Water and electricity	288,834	516,045
Legal and professional fees	234,476	202,442
Printing and stationery	85,786	73,070
Insurance	76,835	50,815
	<u>3,744,312</u>	<u>3,969,748</u>

22 Financial instrument risk management objectives and policies

The Company's principal financial liabilities comprise of bank overdraft, bank borrowings, trade and other payables and contract liability. The Company's financial assets are cash and cash equivalents, other receivables and amount due from a related party.

22 Financial instrument risk management objectives and policies (continued)

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company's senior management oversees the management of these risks.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate and currency risk.

These risks are evaluated by management on an ongoing basis to assess and manage critical exposures. The management reviews and agrees policies for managing each of these risks which are summarised below:

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below. The Company's overall financial risk management program seeks to minimize potential adverse effects to the financial performance of the Company. The management provides principles for overall financial risk management and policies covering specific areas.

Credit risk analysis

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 is exposed to credit risk from its operating activities primarily from principal financial assets, which includes, cash at banks, other receivables and due from a related party.

	Notes	2021 AED	2020 AED
Other receivables	8	3,361,265	3,523,541
Cash at banks	9	267,363	38,843
Amount due from a related party	7	11,226,315	8,266,925
		<u>14,854,943</u>	<u>11,790,466</u>

Other receivables

The Company applies the IFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all other receivables. To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the days past due. The Company has therefore concluded that the expected loss rates for other receivables are a reasonable approximation of the loss rates for the other assets.

Cash at banks

Impairment on cash at bank has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that cash balances with bank has a low credit risk based on the external credit ratings of the counterparties and accordingly, the expected credit loss is negligible.

22 Financial instrument risk management objectives and policies (continued)

Credit risk analysis (continued)

Due from related parties

Due from related parties is not considered to represent significant credit risk because amounts due from related parties are from the companies owned by the same ultimate shareholder and therefore do not carry any significant risks of default.

Liquidity risk

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and other receivables. The Company's existing cash resources and other receivables (see Note 10) significantly exceed the current cash outflow requirements. Cash flows from other receivables are all contractually due within six months.

The Company's non-derivative financial liabilities have contractual maturities as summarized below:

	3 to 12 months AED	More than 12 months AED	Total AED
March 31, 2021			
Trade and other payables	5,772,752	-	5,772,752
Borrowings	10,476,562	5,662,832	16,139,394
Finance lease liabilities	5,117,408	8,000,474	13,117,882
Contract liability	3,545,908	-	3,545,908
	24,912,630	13,663,306	38,575,936
March 31, 2020			
Trade and other payables	8,505,365	-	8,505,365
Borrowings	10,389,649	8,876,446	19,266,095
Contract liability	2,647,315	-	2,647,315
Finance lease liabilities	5,676,483	10,304,259	15,980,742
	27,218,812	10,304,259	46,399,517

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 from fluctuations in currency exchange rates is very minimal.

22 Financial instrument risk management objectives and policies (continued)

Interest rate risk

Interest rate sensitivity analysis

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

The Company is exposed to interest rate risk with respect to its borrowings. The Company's borrowings are based on fixed rate or combination of fixed and variable rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

The Company does not use any off balance sheet financial instrument to manage the interest rate risk.

As at the end of the year, the interest rate profile of the Company's financial liabilities are as follows:

Sources of the sensitivity analysis	2021 AED	2020 AED
Term loan (note 15)	12,012,479	13,851,512
Bank overdrafts (note 15)	1,680,155	2,279,754
	<u>13,692,634</u>	<u>16,131,266</u>

The table below illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of ± 100 basis points (March 31, 2020: ± 100 basis points).

This change is considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year	
	AED +100 bps	AED -100 bps
March 31, 2021	<u>(37,013)</u>	<u>37,013</u>
March 31, 2020	<u>(20,589)</u>	<u>20,589</u>

23 Fair value of financial instruments

Assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

None of the Company's financial instruments, non-financial assets and non-financial liabilities as at the reporting date are measured at fair value.