

# CHEMHUB TRADING DMCC

## Financial Statements

31 March 2018

### CONTENTS

### PAGE

Report of the Manager	1
Independent Auditors' Report	2 – 4
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 – 20

## CHEMHUB TRADING DMCC

### Manager's Report

The manager submits his report and financial statements for the year ended 31 March 2018.

#### Results and dividend

Profit for the year amounted to US \$ 186,467/-. In view of the past accumulated losses, no dividend is proposed for the year ended 31 March 2018.

#### Review of the business

The company is registered to trade in basic industrial chemicals.

#### Events since the end of the year

There were no important events, which have occurred since the year-end that materially affect the company.

#### Shareholder and its interest

The shareholder at 31 March 2018 and its interest as at that date in the share capital of the company was as follows:

	<u>Country of Incorporation</u>	<u>No. of shares</u>	<u>US \$</u>
Kiri Industries Limited (200 shares of AED 1,000 each converted @ 3.67)	India	<u>200</u>	<u>54,495</u>

#### Auditors

A resolution to appoint / re-appoint the auditors and fix their remuneration will be put to the board at the annual general meeting.

Mr. Manishkumar Pravinchandra Kiri  
Manager



## **Independent Auditors' Report to the Directors of CHEMHUB TRADING DMCC**

### **Report on the audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of **CHEMHUB TRADING DMCC** (The "Company"), which comprises of the statement of financial position as at 31 March 2018, the statement of 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 and explanatory notes.

In our opinion, the financial statements present fairly, in all material respects the financial position of the company as of 31 March 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Emphasis of matter:**

Without qualifying our audit opinion, we draw attention to note 2(a) to the financial statements, which states that these financial statements have been prepared on a going concern basis. However, there is a deficiency in the total equity of the company amounting to US \$ 519,608/- arising out of losses of preceding years.

The continuance of the business as a going concern is dependent upon the company's ability to generate adequate profits to wipe off the accumulated losses of the company and the continuous financial support from the shareholder.

#### **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) together with the ethical requirements that are relevant to our audit of the financial statements in the UAE, 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.

#### **Other Information**

Management is responsible for the other information. Other information comprises the manager's report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



## **Report on the Audit of the Financial Statements *(continued)***

### **Other Information *(continued)***

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we concluded that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **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 International Financial Reporting Standards, 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.

### **Auditors' 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.

## Report on the Audit of the Financial Statements *(continued)*

### Auditors' Responsibilities for the Audit of the Financial Statements *(continued)*

- 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.

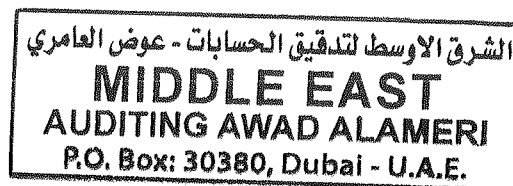
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

We further confirm that we have obtained all information and explanations necessary for our audit and that proper financial records have been maintained by the company in accordance with the DMCC Company Regulations No. 1/03 issued in 2003. To the best of our knowledge and belief no violations of said regulations have occurred which would have had a material effect on the business of the company or on its financial position.

MIDDLE EAST AUDITING  
AWAD ALAMERI

For Middle East Auditing  
Awad Alameri  
Dubai, U.A.E.  
8th May 2018



## CHEMHUB TRADING DMCC

### Statement of Financial Position At 31 March 2018

	Notes	2018 US \$	2017 US \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	6	<u>1,285,061</u>	<u>1,461,738</u>
<b>Current assets</b>			
Goods in transit		1,507,566	-
Trade and other receivables	7	5,171,104	1,676,339
Prepayments		11,519	-
Bank balances in current accounts		19,117	51,036
<b>Total current assets</b>		<u>6,709,306</u>	<u>1,727,375</u>
<b>TOTAL ASSETS</b>		<u>7,994,367</u>	<u>3,189,113</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	54,495	54,495
Share application money	9	22,517	22,517
Accumulated losses		(596,620)	(783,087)
<b>Total equity</b>		<u>(519,608)</u>	<u>(706,075)</u>
<b>Current liabilities</b>			
Trade and other payables	10, 13	<u>8,513,975</u>	<u>3,895,188</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>7,994,367</u>	<u>3,189,113</u>

The accompanying notes 1 to 17 form an integral part of these financial statements.

The Independent Auditors' Report is set forth on pages 2 – 4.

Approved by board of directors of the shareholder company on 8th May 2018 and signed on their behalf by:

For CHEMHUB TRADING DMCC

Mr. Manishkumar Pravinchandra Kiri  
Director



**CHEMHUB TRADING DMCC**

**Statement of Comprehensive Income**  
*for the year ended 31 March 2018*

	<i>Notes</i>	<i>2018</i> <i>US \$</i>	<i>2017</i> <i>US \$</i>
<b>Revenue</b>		<b>18,860,991</b>	<b>17,287,462</b>
Cost of revenue	11, 13	<u>(18,387,599)</u>	<u>(17,112,120)</u>
<b>Gross profit / (loss)</b>		<b>473,392</b>	<b>175,342</b>
Expenses	12	<u>(286,925)</u>	<u>(107,878)</u>
<b>Profit / (Loss) for the year</b>		<b>186,467</b>	<b>67,464</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u>186,467</u></b>	<b><u>67,464</u></b>

*The accompanying notes 1 to 17 form an integral part of these financial statements.*

## CHEMHUB TRADING DMCC

### Statement of Changes in Equity for the year ended 31 March 2018

	<i>Share capital US \$</i>	<i>Accumulated losses US \$</i>	<i>Share application money US \$</i>	<i>Total US \$</i>
As at 31 March 2016	54,495	(850,551)	22,517	(773,539)
Loss for the year	-	67,464	-	67,464
As at 31 March 2017	54,495	(783,087)	22,517	(706,075)
Profit for the year	-	186,467	-	186,467
As at 31 March 2018	<u>54,495</u>	<u>(596,620)</u>	<u>22,517</u>	<u>(519,608)</u>

*The accompanying notes 1 to 17 form an integral part of these financial statements.*

**CHEMHUB TRADING DMCC**

**Statement of Cash Flows**  
*for the year ended 31 March 2018*

	<i>Note</i>	<i>2018</i> <i>US \$</i>	<i>2017</i> <i>US \$</i>
<b><u>Cash flows from operating activities</u></b>			
Profit for the year		186,467	67,464
Adjustments for:			
Amortization of intangible assets		214,177	-
<b>Operating profit before working capital changes</b>		<b>400,644</b>	<b>67,464</b>
Changes in inventory		(1,507,566)	624,926
Changes in trade and other receivables		(3,494,765)	(1,178,010)
Changes in prepayments		(11,519)	4,859
Changes in trade and other payables		4,618,787	1,463,017
<b>Net cash flows from operating activities</b>		<b><u>5,581</u></b>	<b><u>982,256</u></b>
<b><u>Cash flows from investing activities</u></b>			
Payments made for intangible assets		(37,500)	(1,461,738)
<b>Net cash flows (used in) investing activities</b>		<b><u>(37,500)</u></b>	<b><u>(1,461,738)</u></b>
<b><u>Cash flows from financing activities</u></b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>Net changes in cash and cash equivalents</b>		<b>(31,919)</b>	<b>(479,482)</b>
<b>Bank balances at the beginning of the year</b>		<b><u>51,036</u></b>	<b><u>530,518</u></b>
<b>Bank balances at the end of the year</b>		<b><u>19,117</u></b>	<b><u>51,036</u></b>

*The accompanying notes 1 to 17 form an integral part of these financial statements.*

**CHEMHUB TRADING DMCC**

(Incorporated in the Dubai Multi Commodities Centre)

(Registration no. DMCC3215)

**Notes to the Financial Statements**

*for the year ended 31 March 2018*

**1. Legal status and business activity**

- a) **CHEMHUB TRADING DMCC** ("The Company") is a free zone limited liability company registered in the Dubai Multi Commodities Centre under trading license No. DMCC-32231 issued on 29 April 2012.
- b) The company is registered to trade in basic industrial chemicals.

**2. Basis of preparation**

**a) Going concern**

These financial statements have been prepared on a going concern basis, which assume that the company will continue to operate as a going concern for a foreseeable future. However, there is a deficiency in the total equity of the company amounting to US \$ 519,608/- arising out of losses preceding years.

The continuance of the business as a going concern is dependent upon the company's ability to generate adequate profits to wipe off the accumulated losses of the company and the continuous financial support from the shareholder.

**b) Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2017 and the applicable rules and regulations of the Dubai Multi Commodities Centre.

**c) Basis of measurement**

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

## **CHEMHUB TRADING DMCC**

### **Notes to the Financial Statements** *for the year ended 31 March 2018*

#### **d) Functional and presentation currency**

The functional currency of the company is U.A.E. Dirhams. These financial statements are presented in United States Dollars (USD), which in the opinion of the management is the most appropriate presentation currency in view of the global presence of the company. U.A.E. Dirham is currently pegged to USD and there are no differences on translation from functional to presentation currency.

#### **3. Use of estimates and judgments**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### **Judgments made in applying accounting policies**

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

#### ***Impairment***

At each reporting date, management conducts an assessment of all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to statement of comprehensive income or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

#### **Key sources of estimation uncertainty and assumptions**

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

## **CHEMHUB TRADING DMCC**

### **Notes to the Financial Statements** *for the year ended 31 March 2018*

#### ***Carrying value of intangible assets***

Carrying values of the intangible assets are assessed for their fair market values as commanded by the market forces on a periodic basis. Based on such assessments the cost of intangible assets are reduced to their estimated market valuation.

#### ***Inventory provision***

Management regularly undertakes a review of the company's inventory, in order to assess the likely realization proceeds, taking in account purchase and replacement prices, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

#### ***Doubtful debt provision***

Management regularly undertakes a review of the amounts of loans and receivables owed to the company either from third parties or from related parties and assess the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

#### ***Impairment***

Assessments of net recoverable amounts of all financial assets other than loans and receivables are based on assumptions regarding future cash flows expected to be received from the related assets.

## **4. Adoption of new International Financial Reporting Standards**

### **a) New and revised International Financial Reporting Standards**

The following International Financial Reporting Standards, amendments thereto and interpretations issued by IASB that became effective for the current reporting period and which are applicable to the company are as follows:

- IAS 7 – Statement of Cash Flows – Disclosure Initiative Amendment
- IAS 12 – Recognition of Deferred Tax Assets for Unrealized losses
- Amendments to IFRS 12 as per annual improvements to IFRS standards 2014-16 cycle

During the current period, the management has adopted the above standards and amendments to the extent applicable to them from their effective dates.

These amendments have no significant impact on the amounts reported in these financial statements. Their adoption has resulted in presentation and disclosure changes only.

## **CHEMHUB TRADING DMCC**

### **Notes to the Financial Statements** *for the year ended 31 March 2018*

#### **b) International Financial Reporting Standards issued but not effective**

- Amendments to IFRS 2 – Classification and Measurement of Share – based Payment Transactions – The effective date of the standard is set for annual periods beginning on or after 1 January 2018.
- IFRS 9 – Financial Instruments (July 2014 version) – this replaces the earlier IFRS 9 and is the final version – The effective date of the standard is set for annual periods beginning on or after 1 January 2018 with choice for early adoption. From February 2015 entities newly applying IFRS 9 will need to apply the version published in July 2014.
- IFRS 15 – Revenue from contracts with customers – The effective date of the standard is set for annual periods beginning on or after 1 January 2018.
- IFRS 16 – Leases – The effective date of the standard is set for annual periods beginning on or after 1 January 2019.
- IFRS 17 – Insurance Contracts – The effective date of the standard is set for annual periods beginning on or after 1 January 2021.
- Amendment to IAS 28 (long term interest in Associates and Joint Ventures – The effective date of the standard is set for annual periods beginning on or after 1 January 2019.
- Amendments to IAS 40 – Transfer of Investment Property – The effective date of the standard is set for annual periods beginning on or after 1 January 2018.
- Amendments to IFRS – Annual improvements to IFRS Standards 2014-16 Cycle.
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration – The effective date of the standard is set for annual periods beginning on or after 1 January 2018.
- IFRIC 23 – uncertainty of Income Tax Position – The effective date of the standard is set for annual periods beginning on or after 1 January 2019.

The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **5. Summary of significant accounting policies**

##### **a) Depreciation of fixed assets**

Minor purchases of fixed assets are depreciated fully in the year of purchase.

##### **b) Intangible asset**

Intangible asset represents payments made for creation of brands and specific visibility in specified markets and initially measured at cost of such payments made to create brand and visibility.

Intangible asset represents payments made for creation of brands and specific visibility in specified markets and initially measured at cost of such payments made to create brand and visibility.



## **CHEMHUB TRADING DMCC**

### **Notes to the Financial Statements** *for the year ended 31 March 2018*

#### **Intangible asset (continued)**

Intangible assets are stated at cost less impairment, if any and are amortized over a period of 7 years. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount. Such impairment losses are reported in the statement of comprehensive income.

#### **c) Financial instruments**

Financial assets and financial liabilities are recognized when, and only when, the company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognized when, and only when, they are extinguished, cancelled or expired.

#### **Financial assets**

##### *Non derivative financial assets*

##### *Initial recognition and measurement*

Financial assets are recognized on the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the financial instrument. The company determines the classification of its financial assets at initial recognition.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

##### *Subsequent measurement*

The subsequent measurement of non - derivative financial assets depends on their classification as follows:

The company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and loans and receivables.

During the year, company has non-derivative financial assets in the form of loans and receivables only.

**CHEMHUB TRADING DMCC**

**Notes to the Financial Statements**  
*for the year ended 31 March 2018*

***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to the initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in statement of comprehensive income when the loans and receivables are derecognized or impaired, and through the amortization process.

***Offsetting of financial assets and liabilities***

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

**d) Inventory**

Inventory is valued at lower of cost or net realisable value. Cost comprises of invoice value plus attributable direct expenses. Net realisable value is based on estimated selling price less further cost expected to be incurred for disposal.

**e) Trade and other receivables**

Trade receivables are carried at the original invoice amount to the customers. An estimate is made for doubtful receivables based on a periodic review of all outstanding amounts. Bad debts are written off when identified.

**f) Foreign currency transactions**

Transactions in foreign currencies are converted into US Dollars at the rate of exchange ruling on the date of the transaction.

Assets and liabilities expressed in foreign currencies are translated into US Dollars at the rate of exchange ruling at the reporting date.

Resulting gains or losses arising from the foreign currency transactions are taken to the statement of comprehensive income.

**g) Impairment of financial assets**

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial asset together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the company.

## **CHEMHUB TRADING DMCC**

### **Notes to the Financial Statements** *for the year ended 31 March 2018*

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows.

For financial assets carried at amortised cost, the carrying amount is reduced through the use of an allowance account and the amount of the loss is recognized in the Statement of Comprehensive Income.

If a write-off is later recovered, the recovery is credited to the Statement of Comprehensive Income.

#### **h) Impairment of non-financial assets**

The company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount.

Where the carrying amount of an asset or cash generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognized in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the Statement of Comprehensive Income.

#### **i) Trade and other payables**

Liabilities are recognized for amounts to be paid for goods or services received, whether invoiced by the supplier or not.

#### **j) Provisions**

Provisions are recognized when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

**CHEMHUB TRADING DMCC**

**Notes to the Financial Statements**  
*for the year ended 31 March 2018*

**Provisions (continued)**

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

**k) Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**l) Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership and the lease payments are charged to the Statement of comprehensive income on a straight line basis over the period of lease.

***The Company as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**m) Revenue recognition**

**Sales of goods**

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied.

- ✦ the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ✦ the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- ✦ the amount of revenue can be measured reliably;
- ✦ it is probable that the economic benefits associated with the transaction will flow to the company; and
- ✦ the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**CHEMHUB TRADING DMCC**

**Notes to the Financial Statements**  
*for the year ended 31 March 2018*

**n) Cash and cash equivalents**

Cash and cash equivalents for the purpose of the cash flow statement comprise of cash on hand, bank current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

	<i>2018</i>	<i>2017</i>
	<i>US \$</i>	<i>US \$</i>
<b>6. Intangible assets</b>		
At cost <sup>1</sup>		
Balance at the beginning of the year	1,461,738	-
Amount paid during the year	<u>37,500</u>	<u>1,461,738</u>
Amount at the end of the year	<b>1,499,238</b>	<b>1,461,738</b>
Amount amortized during the year	<u>(214,177)</u>	<u>-</u>
	<b><u>1,285,061</u></b>	<b><u>1,461,738</u></b>

<sup>1</sup> Represents costs paid for creation of brands and specific visibility for new products in new territories and includes amounts paid for specialized inventories used for development of brand product, business feasibility studies, procurement of contact lists and preparation of various agreements, rents paid for temporary offices and related miscellaneous costs for brand creation.

The company amortizes the cost of intangible assets over seven years (refer note 5b), after the brands are created and new territories established.

In the previous year, the brands were not created and new territories finalized and hence the intangible assets were not amortized in the previous year.

	<i>2018</i>	<i>2017</i>
	<i>US \$</i>	<i>US \$</i>
<b>7. Trade and other receivables</b>		
Trade receivables	4,948,931	1,673,901
Deposits	2,648	2,438
Advances for expenses	<u>219,525</u>	<u>-</u>
	<b><u>5,171,104</u></b>	<b><u>1,676,339</u></b>
<b>8. Share capital</b>		
200 shares of AED 1,000/- each	<b><u>54,495</u></b>	<b><u>54,495</u></b>
(converted @ AED 3.67 per US \$ 1)		
<b>9. Share application money</b>		

This amount represents share application money received from Kiri Industries Limited, sole shareholder of the company. Pending legal formalities the amount continues to be disclosed as share application money.



**CHEMHUB TRADING DMCC**

**Notes to the Financial Statements**  
*for the year ended 31 March 2018*

	<i>2018</i>	<i>2017</i>
	<i>US \$</i>	<i>US \$</i>
<b>10. Trade and other payables</b>		
Trade payables ( <i>refer note 13</i> )	8,510,220	3,619,184
Advances from a customer	755	273,554
Accruals	3,000	2,450
	<u><b>8,513,975</b></u>	<u><b>3,895,188</b></u>
<b>11. Cost of revenue</b>		
Inventories at the beginning of the year	-	868,286
Purchases and other related direct expenses ( <i>refer note 13</i> )	18,387,599	16,243,834
Inventories at the end of the year	-	-
	<u><b>18,387,599</b></u>	<u><b>17,112,120</b></u>
<b>12. Expenses</b>		
Staff salaries	3,927	12,087
Rent	4,360	4,360
Amortization of intangible assets	214,177	-
Bank and related charges	31,343	62,201
Other administrative expenses	33,118	29,230
	<u><b>286,925</b></u>	<u><b>107,878</b></u>

**13. Related party transactions**

For the purpose of these financial statements, parties are considered to be related to the company, if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making party financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related party may be individuals or other entities.

The nature and amount of significant related party transactions is as under:

	<i>Shareholder Company</i>
	<i>2018</i>
	<i>US \$</i>
Purchases ( <i>refer note 11</i> )	12,971,959

**CHEMHUB TRADING DMCC**

**Notes to the Financial Statements**  
*for the year ended 31 March 2018*

**Related party transactions (continued)**

At the reporting date, balances with a related party (Shareholder Company) was as follows:

	<i>Shareholder Company</i>	
	<i>2018</i>	<i>2017</i>
	<i>US \$</i>	<i>US \$</i>
<b>Included in current liabilities:</b>		
Trade payables (refer note 10)	6,500,850	3,262,406

**14. Financial instruments**

The company has exposure to the following risks from its financial instruments:

- a) Credit risk
- b) Market risk
- c) Liquidity risk

**a) Credit risk**

Financial assets, which potentially expose the company to concentrations of credit risk, comprise principally of trade and other receivables and bank balances.

**Trade receivables**

As at 31 March 2018, the company's maximum and significant exposure to credit risk from trade receivables situated outside U.A.E. amounts to US \$ 4,864,861/- from two customers (previous year US \$ 1,616,041/- from two customers).

There is no significant concentration of credit risk from trade receivables within U.A.E. or outside the industry in which the company operates.

**Bank balances**

The company's bank balances in current accounts are placed with high credit quality financial institutions.

**b) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as exchange rate risk, interest rate risk or other price risk, which will affect the company's income or the value of its holding of financial instruments.

**CHEMHUB TRADING DMCC**

**Notes to the Financial Statements**  
**for the year ended 31 March 2018**

***Interest rate risk***

In the absence of bank borrowings, interest rate risk is minimal.

***Exchange rate risk***

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in US Dollars or U.A.E. Dirhams to which the US Dollar is pegged.

**c) Liquidity risk**

Liquidity risk is the risk that the company will not be able to meet financial obligations as they fall due. The liquidity requirements are monitored on a regular basis by the owners and the management who ensure that sufficient funds are made available to the company to meet any future commitments.

The following are the contractual maturities of the company's financial liabilities as of 31 March 2018.

<i>Non-derivative financial liabilities</i>	<i>Carrying Amounts AED</i>	<i>Payable within next 12 months AED</i>	<i>Payable after 12 months AED</i>
<b>Trade and other payables :</b>			
Trade payables	8,510,220	8,510,220	-
Advances from a customer	755	755	-
Accruals	3,000	3,000	-

**15. Financial instruments: Fair value**

The fair values of the company's financial assets, comprising of trade and other receivables and bank balances and financial liabilities comprising of trade and other payables approximate to their carrying values.

**16. Contingent liability**

There was no contingent liability of a significant amount outstanding at the reporting date.

**17. Comparative figures**

Previous year figures have been regrouped / reclassified wherever necessary to conform to the presentation adopted in the current year.