

**Godfrey Phillips Middle East DMCC
Dubai - United Arab Emirates**

**Report and financial statements
for the year ended 31 March 2017**

Godfrey Phillips Middle East DMCC

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INDEPENDENT AUDITOR'S REPORT (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 judgement and maintain professional scepticism 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 disclosure 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 represents the underlying transactions and events in a manner that achieves fair presentation.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, all necessary books and records were maintained in accordance with the provisions of Implementing Regulations 1/3 issued by the Dubai Multi Commodities Centre.

Deloitte & Touche (M.E.)



Herve Ballantyne
22 May 2017
Dubai
United Arab Emirates

INDEPENDENT AUDITOR'S REPORT

The Shareholder
Godfrey Phillips Middle East DMCC
Dubai Multi Commodities Centre
Dubai
United Arab Emirates

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Godfrey Phillips Middle East DMCC, Dubai, United Arab Emirates** (the "Company"), which comprise the statement of financial position as at 31 March 2017, and statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company, as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the 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 the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 for the Financial Statements

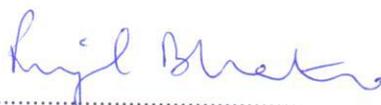
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the articles of association of the Company and implementing regulations 1/3 issued by The Dubai Multi Commodities Centre 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.

Cont'd....

**Statement of financial position
as at 31 March 2017**

	Notes	2017 USD	2016 USD
ASSETS			
Non-current assets			
Property and equipment	5	40,936	51,963
Current assets			
Inventories	6	106,739	-
Trade and other receivables	8	3,811,807	2,525,267
Cash and cash equivalents	9	2,056	1,640
Total current assets		3,920,602	2,526,907
Total Assets		3,961,538	2,578,870
EQUITY AND LIABILITIES			
Equity			
Share capital	10	54,496	54,496
Accumulated losses		(4,490)	(109,851)
Total equity/(deficit)		50,006	(55,355)
Non-current liabilities			
Provision for employees' end -of -service indemnity	11	20,263	13,411
Current liabilities			
Accrued expenses and other payables	12	526,427	368,450
Due to related parties	7	3,175,024	1,954,344
Bank borrowing	13	189,818	298,020
Total current liabilities		3,891,269	2,620,814
Total Liabilities		3,911,532	2,634,225
Total Equity and Liabilities		3,961,538	2,578,870



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Director



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

**Statement of comprehensive income
for the year ended 31 March 2017**

	Note	Year ended 31 March 2017 USD	Period ended 31 March 2016 USD
Revenue	14	23,388,420	12,623,028
Cost of sales		<u>(21,724,275)</u>	<u>(11,853,397)</u>
Gross profit		1,664,145	769,631
Selling, general and administration expenses	15	(1,569,333)	(878,842)
Interest expense		(14,916)	(966)
Other income		<u>25,465</u>	<u>326</u>
Profit/(loss) for the year/period		105,361	(109,851)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year/period		<u>105,361</u>	<u>(109,851)</u>

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

**Statement of changes in equity
for the year ended 31 March 2017**

	Share capital USD	Accumulated losses USD	Total USD
Share capital introduced	54,496	-	54,496
Total comprehensive loss for the period	-	(109,851)	(109,851)
Balance at 31 March 2016	<u>54,496</u>	<u>(109,851)</u>	<u>(55,355)</u>
Total comprehensive income for the year	-	105,361	105,361
Balance at 31 March 2017	<u>54,496</u>	<u>(4,490)</u>	<u>50,006</u>

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

**Statement of cash flows
for the year ended 31 March 2017**

	Year ended 31 March 2017 USD	Period ended 31 March 2016 USD
Cash flows from operating activities		
Profit/(loss) for the year/period	105,361	(109,851)
Adjustments for:		
Depreciation of property and equipment	11,027	8,107
Provision for employees' end-of -service indemnity	8,647	13,411
Interest expense	14,916	966
Bad debts written off	36,187	-
Operating cash flows before changes in operating assets and liabilities	176,138	(87,367)
Increase in inventories	(106,739)	-
Increase in trade and other receivables	(1,322,727)	(2,525,267)
Increase in accrued expenses and other payables	157,977	368,450
Increase in due to related parties	1,220,680	1,897,014
Net cash generated from/(used in) operations	125,329	(347,170)
Interest paid	(14,916)	(966)
Employees' end of service indemnity paid	(1,795)	-
Net cash generated from/(used in) operating activities	108,618	(348,136)
Cash flows from investing activity		
Purchase of property and equipment	-	(2,740)
Net cash used in investing activity	-	(2,740)
Cash flows from financing activities		
Share capital introduced	-	54,496
Repayment of bank borrowing	(23,084,097)	-
Proceeds from bank borrowing	22,975,895	298,020
Net cash (used in)/generated from financing activities	(108,202)	352,516
Net increase in cash and cash equivalents	416	1,640
Cash and cash equivalents at beginning of the year/period	1,640	-
Cash and cash equivalents at the end of the year/period (Note 9)	2,056	1,640

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

**Notes to the financial statements
for the year ended 31 March 2017****1. Status and principal activities**

Godfrey Phillips Middle East DMCC (the “Company”) was incorporated with limited liability in the Dubai Multi Commodities Centre, Dubai, United Arab Emirates on 22 March 2015 under commercial license No JLT - 67761 issued by the Dubai Multi Commodities Centre, Government of Dubai.

The Company is 100% owned by Godfrey Phillips India Limited (the “Parent Company and Ultimate Controlling Company”).

The principal activity of the Company is trading of tobacco and cigarettes, confectionary and chocolate and tea.

2. Application of new and revised International Financial Reporting Standards (“IFRS”)**2.1 New and revised IFRS applied with no material effect on the financial statements**

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*.
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure Initiative.
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants*.
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted

The Company has not yet applied the following new and revised IFRS that have been issued but are not yet effective:

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 - 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealised losses.	1 January 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. 	1 January 2018
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.	
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas:	
<ul style="list-style-type: none"> • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a ‘fair value through other comprehensive income’ category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity’s own credit risk. • Impairment: The 2014 version of IFRS 9 introduces an ‘expected credit loss’ model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. • Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • Derecognition: The requirements for the derecognition of financial assets and financial liabilities are carried forward from IAS 39. 	

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
<p>In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i> and the related interpretations when it becomes effective.</p> <p>The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. <p>Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.</p>	
Amendments to IFRS 15 <i>Revenue from Contracts with Customers</i> to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 <i>Leases</i> specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from investor to its associate or joint venture.	Effective date deferred indefinitely

**Notes to the financial statements
for the year ended 31 March 2017 (continued)****2. Application of new and revised International Financial Reporting Standards (“IFRSs”)
(continued)****2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)**

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements for the year beginning 1 April 2017 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Company in the year of initial application.

Management anticipates that IFRS 9 and IFRS 15 will be adopted in the Company’s financial statements for the annual year beginning 1 April 2018 and IFRS 16 will be adopted for the annual year beginning 1 April 2019. The application of IFRS 9, IFRS 15 and IFRS 16 may have significant impact on amounts reported and disclosures made in the Company’s financial statements in respect of the Company’s financial assets and financial liabilities, revenue from contracts with customers and leases. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

3. Significant accounting policies**Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. A summary of the significant accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when 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.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

3. Significant accounting policies (continued)

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, as follows:

	<u>Years</u>
Motor vehicles	8
Furniture and fixtures	10
Office equipment	5
Computer hardware	3

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the pattern of economic benefits expected to flow to the Company through the use of items of property and equipment.

Subsequent costs are included in the asset's 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. All other repairs and maintenance are charged to the statement of comprehensive income when incurred.

Impairment of tangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)****3. Significant accounting policies (continued)****Inventories**

Inventories comprise of finished goods.

Inventories are measured at the lower of cost or net realisable value. Finished goods are stated at cost and includes expenditure incurred on acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

When inventories are sold, the carrying amount of those inventories shall be 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 shall be 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, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Foreign currency transactions

For the purpose of the financial statements, the results and financial position of the Company is expressed in United States Dollars which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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.

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.

All other borrowing costs are recognised in profit or loss in the year they are incurred.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)****3. Significant accounting policies (continued)****Employee benefits**

An accrual is made for the estimated liability for employees' entitlement to annual leave as a result of services rendered by eligible employees up to the end of the year.

Provision is also made for the full amount of end-of-service indemnity due to non-U.A.E. national employees in accordance with the U.A.E. Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave is disclosed as a current liability, while the provision relating to end-of-service indemnity is disclosed as a non-current liability.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables (but excluding prepayments) and cash and cash equivalents are measured at amortised cost using the effective interest method, less any impairment.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including bank borrowings, accrued expenses and other payables (but excluding advances from customers), and amounts due to related parties are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)****3. Significant accounting policies (continued)****Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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. 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.

4. Critical accounting judgment and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3 to the financial statements, management of the Company has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying the Company's accounting policies

The following is the critical judgment, apart from those involving estimations, that the management has made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Management has considered the detailed criteria for the recognition of revenue from the sale of goods as set out in International Accounting Standard (IAS) 18 *Revenue*, and in particular whether the Company is acting as a principal or as an agent. Since the Company has the primary responsibility for providing the goods to the customer and/or for fulfilling the order (i.e. by being responsible for the acceptability of the products or services ordered or purchased by the customer and in the event of a dispute, the customer's primary recourse would be against the Company), the Company has latitude in establishing prices, either directly or indirectly; and the Company bears the customer's credit risk for the amount receivable from customers, management is satisfied that the Company is acting as a principal and therefore gross basis of presentation of revenue is appropriate.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

4. Critical accounting judgment and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

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

Allowance for doubtful debts

The Company maintains an allowance for doubtful debts at a level considered adequate to provide for potential uncollectable receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but not limited to, the length of the Company's relationship with the customers, customer's payment history and known market factors. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowances on a regular basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgment or utilized different estimates. Based on these factors, the Company has not set any allowance for doubtful debts for the year ended 31 March 2017.

Useful lives of property and equipment

Management reviews the residual values and estimated useful lives of property and equipment at the end of each annual reporting period in accordance with International Accounting Standard 16 *Property, Plant and Equipment* and International Accounting Standard 38 *Intangible Assets*. Management determined that current year estimates do not differ from previous estimates based on its review.

Notes to the financial statements
for the year ended 31 March 2017 (continued)

5. Property and equipment	Motor vehicles USD	Furniture and fixtures USD	Office equipment USD	Computer hardware USD	Total USD
Cost					
Transfer from a related party (at inception) (Note 7)	36,321	22,364	18,712	4,972	82,369
Additions during the period ended 31 March 2016	-	1,089	-	1,651	2,740
At 31 March 2016 & 2017	<u>36,321</u>	<u>23,453</u>	<u>18,712</u>	<u>6,623</u>	<u>85,109</u>
Accumulated depreciation					
Transfer from a related party (at inception) (Note 7)	9,364	5,899	6,517	3,259	25,039
Charge for the period	2,873	1,528	2,367	1,339	8,107
At 31 March 2016	<u>12,237</u>	<u>7,427</u>	<u>8,884</u>	<u>4,598</u>	<u>33,146</u>
Charge for the year	<u>4,315</u>	<u>2,218</u>	<u>3,555</u>	<u>939</u>	<u>11,027</u>
At 31 March 2017	<u>16,552</u>	<u>9,645</u>	<u>12,439</u>	<u>5,537</u>	<u>44,173</u>
Carrying amount					
At 31 March 2017	<u>19,769</u>	<u>13,808</u>	<u>6,273</u>	<u>1,086</u>	<u>40,936</u>
At 31 March 2016	<u>24,084</u>	<u>16,026</u>	<u>9,828</u>	<u>2,025</u>	<u>51,963</u>

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

6. Inventories

	2017	2016
	USD	USD
Finished goods	106,739	-

7. Related party transactions

The Company enters into transactions with 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 companies and entities under common ownership and/or common management control and key management personnel. The management decides on the terms and conditions of transactions and of services received/rendered from/to related parties as well as other charges.

At the reporting date, related party balances are as follows:

	2017	2016
	USD	USD
Due to related parties		
<i>Parent Company</i>		
Godfrey Phillips India Limited, India	3,165,684	1,949,939
<i>Entity under common ownership/control</i>		
Beacon Travels Pvt. Ltd, India.	9,340	4,405
	3,175,024	1,954,344

The amounts due to related parties are non-interest bearing and have no repayment terms.

The nature of significant related party transactions and the amounts involved were as follows:

	Year ended	Period ended
	31 March	31 March
	2017	2016
	USD	USD
<i>Parent Company</i>		
Purchase of inventories	21,806,753	11,853,397
Property and equipment - net (Note 5)	-	57,330
Expenses borne by parent company	59,572	73,709
Cash transferred at inception	-	7,296
Deposits paid	-	5,737
Employee loan transferred to Parent Company	7,429	-
<i>Entities under common ownership/control</i>		
Travelling expenses charged by a related party	120,502	46,764

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

7. Related party transactions (continued)

Compensation to key management personnel is as follows:

	Year ended 31 March 2017 USD	Period ended 31 March 2016 USD
Salaries and other short-term employee benefits	92,488	44,376

End of service benefits of employees' seconded from the Parent Company are borne by the Parent Company and not recharged to the Company.

8. Trade and other receivables

	2017 USD	2016 USD
Trade receivables	3,716,584	2,468,508
Prepayments	43,096	27,509
Other receivables	52,127	29,250
	3,811,807	2,525,267

The Company's credit period ranges from 30 to 60 days (2016: 30 to 60 days). No interest is charged on past due trade receivables. The Company provides for receivables on a case by case basis based on estimated irrecoverable amounts, determined by reference to past default experience.

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. Of the trade receivable balance at the reporting date, USD 2,634,497 is due from 4 customers (2016: USD 2,128,922 is due from 4 customers). There are no other customers who represent more than 10% of the total balance of trade receivables.

Included in the Company's trade receivable balance are debtors with a carrying amount of USD 247,656 (2016: Nil) which are past due at the reporting date for which the Company has not provided an allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired:

	2017 USD	2016 USD
<i>Overdue by:</i>		
61 - 90 days	-	-
91 - 180 days	204,756	-
Above 181 days	42,900	-
Total	247,656	-

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

9. Cash and cash equivalents

	2017 USD	2016 USD
Cash on hand	<u>2,056</u>	<u>1,640</u>

10. Share capital

	2017 USD	2016 USD
<i>Issued and fully paid:</i>		
200 shares of USD 272.48 (AED 1,000) per share	<u>54,496</u>	<u>54,496</u>

11. Provision for employees' end-of-service indemnity

	2017 USD	2016 USD
Balance at the beginning of the year/period	13,411	-
Charge for the year/period	8,647	13,411
Amounts paid during the year	<u>(1,795)</u>	<u>-</u>
Balance at the end of the year/period	<u>20,263</u>	<u>13,411</u>

Provision for employees' end-of-service indemnity is made in accordance with the U.A.E. Labour law, and is based on current remuneration and cumulative periods of service at the reporting date.

12. Accrued expenses and other payables

	2017 USD	2016 USD
Advances from customers	458,817	326,571
Accrued expenses and other payables	67,610	41,879
	<u>526,427</u>	<u>368,450</u>

13. Bank borrowing

	2017 USD	2016 USD
Bank overdraft	<u>189,818</u>	<u>298,020</u>

Bank overdraft carries interest at 4% per annum (2016: 4% per annum) and is secured by letter of credit issued by Citibank India. The bank overdraft is repayable within one year from the reporting date.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

14. Revenue

	Year ended 31 March 2017 USD	Period ended 31 March 2016 USD
Sale of cigarettes	20,218,915	10,786,989
Sale of cut tobacco	2,561,827	1,808,560
Sale of unmanufactured tobacco	515,368	-
Others	92,310	27,479
	<u>23,388,420</u>	<u>12,623,028</u>

15. Selling, general and administration expenses

	Year ended 31 March 2017 USD	Period ended 31 March 2016 USD
Employees' salaries and benefits	818,209	477,031
Travel	167,198	98,438
Insurance expenses	66,586	54,421
Rent expenses (Note 20)	90,054	45,913
Legal and professional services	83,604	56,750
Advertisement and marketing expenses	52,177	22,587
Bank charges	62,939	34,572
Depreciation of property and equipment (Note 5)	11,027	8,107
Bad debts written off	36,187	-
Others	181,352	81,023
	<u>1,569,333</u>	<u>878,842</u>

16. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

16. Financial instruments (continued)

(b) Categories of financial instruments

	2017 USD	2016 USD
<i>Financial assets</i>		
Trade and other receivables (including cash and cash equivalents) at amortised cost	3,770,767	2,499,398
<i>Financial liabilities</i>		
At amortised cost	3,432,452	2,294,243

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities at year-end approximate their carrying amounts at the reporting date in the statement of financial position.

17. Financial risk management

The Company's overall financial risk management program seeks to minimise potential adverse effects to the financial performance of the Company. The management provides principles for overall financial risk management and policies covering specific areas, such as credit risk, currency risk, liquidity risk and interest rate risk.

(a) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk is controlled by counterparty limits that are reviewed and approved by the management.

The Company's principal financial assets are cash and cash equivalents and trade and other receivables. The credit risk on liquid funds is limited because the counterparties are reputable banks registered in the country. Further, details of credit risk on trade receivables is discussed in Note 8 to the financial statements.

(b) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in US Dollars or in United Arab Emirates Dirhams to which the Dollar is fixed, except for the following financial liabilities:

	2017 US\$'000	2016 US\$'000
Financial liabilities		
INR	3,175	1,954

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

17. Financial risk management (continued)

(b) Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 10% increase and decrease in the USD against the Indian rupee. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the USD strengthens 10% against the relevant currency. For a 10% weakening of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2017 US\$'000	2016 US\$'000
INR	<u>317</u>	<u>195</u>

This is mainly attributable to the exposure to outstanding payables as of the reporting date.

(c) Interest rate risk management

The Company is exposed to interest rate risk as the Company borrows funds at floating interest rates.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 March 2017 would increase/decrease by USD 949 (loss for the period ended 31 March 2016 would increase/decrease by USD 1,490). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

17. Financial risk management (continued)

(d) Liquidity risk management

Liquidity risk refers to the risk that the Company will have difficulty meeting its short-term obligations. Ultimate responsibility for liquidity risk management rests with the management. The Company manages liquidity risk by maintaining reserves and by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. The Company also has access to funds from its Parent Company to further reduce liquidity risk.

Liquidity risk tables

The following table details the Company's remaining contractual maturity for its financial assets and financial liabilities. The table has been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes principal cash flows only.

	Average interest rate	Less than 1 year USD	Total USD
Financial assets			
31 March 2017			
Non-interest bearing instruments	-	<u>3,770,767</u>	<u>3,770,767</u>
31 March 2016			
Non-interest bearing instruments	-	<u>2,499,398</u>	<u>2,499,398</u>
Financial liabilities			
31 March 2017			
Interest bearing instruments	4%	189,818	189,818
Non-interest bearing instruments	-	<u>3,242,634</u>	<u>3,242,634</u>
		<u>3,432,452</u>	<u>3,432,452</u>
31 March 2016			
Interest bearing instruments	4%	298,020	298,020
Non-interest bearing instruments	-	<u>1,996,223</u>	<u>1,996,223</u>
		<u>2,294,243</u>	<u>2,294,243</u>

18. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the shareholder through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes borrowing as disclosed in Note 13, cash and cash equivalents and equity, comprising share capital and accumulated losses as disclosed in the statement of financial position.

**Notes to the financial statements
for the year ended 31 March 2017 (continued)**

19. Non- cash transaction

Non-cash transaction comprise of:

	2017	2016
	USD	USD
Cash flow from operating activities		
Transfer of property, plant and equipment from a related party (Notes 5 and 7)	-	57,330
	<u> </u>	<u> </u>

20. Operating lease commitments

The Company as lessee

At the reporting date, the Company had no long term non-cancellable operating lease commitments. During the year, an amount of USD 90,054 (period ended 31 March 2016: USD 45,913) was recognised in the profit or loss as rent expenses (Note 15).

21. Comparative figures

The comparative amounts are not necessarily comparable to the current year financial statements as the prior period financial statements are for the period from 22 March 2015 to 31 March 2016, while the current year amounts are for the 12 months period from 1 April 2016 to 31 March 2017.

22. Approval of the financial statements

The financial statements were approved by the Director on 22 May 2017.