HGHL Holdings Limited
Financial Statements
for the year ended 31 March 2020

Registered number: 08302976

HGHL Holdings Limited

Contents

HGHL Holdings Limited

Directors' report

The directors present their annual report on the affairs of HGHL Holdings Limited ("the Company"), together with the financial statements and auditor report, for the year ended 31 March 2020. The directors have taken advantage of the exemption not to include a strategic report in accordance with s414 of the Companies Act 2006. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Principal activities

The principal activity of the Company is that of a holding and financing company.

Business review and future developments

The Company made a profit after tax of US$ 5,421,364 during the year (31 March 2019: US$ 474,102). The increase in earnings was attributable to dividends received with respect to the 10% shareholding in Gulf Houghton Lubricants Limited.

On August 1, 2019, Quaker Chemical Corporation and Houghton completed the Combination and acquired all of the issued and outstanding shares of Houghton from Gulf Houghton Lubricants, Ltd. ("Gulf") and certain other selling shareholders in exchange for a combination of cash and shares of the Company's common stock in accordance with the share purchase agreement dated April 4, 2017 (the "Share Purchase Agreement"). At the same time, Gulf Oil International Limited paid the outstanding balance held with the Company, adjusted for the offset of the related party loan provided by Gulf Oil International Limited of US$26 million. During the year, the directors approved the arrangement of a fresh financing facility with UBI (Union Bank of India) of up to US$300 million, drawing down US$150 million. Furthermore, the directors approved the loan of US$150 million to 57 Whitehall Investments SARL.

Going concern

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. On the basis of their assessment of the company's financial position and of the enquiries made of the Directors of Gulf Oil Corporation Limited, the company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

The Novel Coronavirus (COVID-19), a Global Pandemic, has significantly affected the global economy and as a result the Directors have considered the impact on the Company. The Company has assessed its liquidity position for a period of at least one year from the balance sheet date, of the recoverability and carrying values of its assets comprising Investments, Trade Receivables, and Loan Receivables, and ability to pay its liabilities as they become due at the balance sheet date and has concluded that there is no material impact or adjustments required in the financial statements of the Company for the year ended March 31, 2020.

However, the impact assessment of COVID-19 is a continuing process and accordingly the impact may be different from that estimated as at the date of approval of these financial statements. The Company will continue to monitor any material changes to future economic conditions.

Directors

The directors, who served throughout the period, and to date were as follows:

Sandra Georgeson
Camille Nehme
Debabrata Sarkar

Independent Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

HGHL Holdings Limited

Directors' report

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

KPMG Audit LLC were appointed as auditors of the Company for the financial year ended 31 March 2020.

Approved by the Board and signed on its behalf by:

Camille Nehme
Director
23rd October 2020
16 Charles II Street,
London,
United Kingdom,
SW1Y 4QU

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HGHL HOLDINGS LIMITED

Opinion

We have audited the financial statements of HGHL Holdings Limited ("the company") for the year ended 31 March 2020 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HGHL HOLDINGS LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

E. Hought

Edward Houghton (Senior Statutory Auditor)

For and on behalf of KPMG Audit LLC, Statutory Auditor

Heritage Court
41 Athol Street
Douglas
Isle of Man
IM1 1LA

23 October 2020

HGHL Holdings Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2020

	Note	2020 $	2019 $
Dividend income		4,928,415	-
Administrative expenses		(85,569)	(98,366)
Operating loss		4,842,846	(98,366)
Finance income	5	2,809,890	7,655,663
Finance costs	5	(2,115,742)	(6,973,770)
Profit before taxation		5,536,994	583,527
Tax	6	(115,630)	(109,425)
Profit after taxation		5,421,364	474,102
Other comprehensive income			
(Loss)/Gain on available for sale financial assets	7	(16,249,960)	10,722,132
Total Comprehensive income for the year		(10,828,596)	11,196,234

The notes on pages 10 to 20 form an integral part of these financial statements.

HGHL Holdings Limited
Balance Sheet
As at 31 March 2020

	Note	2020 $	2019 $
Non-current assets			
Investments	7,18	-	78,190,061
Loans to other entities	17	150,000,000	-
		150,000,000	78,190,061
Current assets			
Investments	7,18	61,940,101	-
Loans to other group entities	15	1,238,044	71,662,457
Trade and other receivables	8	2,307,558	205,474
Cash and bank balances		69,774	586,292
		65,555,477	72,454,223
Total assets		215,555,477	150,664,284
Current liabilities			
Trade and other payables	10	483,101	785,338
Borrowings	9	-	44,976,703
Loans from related parties	9	-	26,000,000
		483,101	71,762,041
Net current assets		65,072,376	692,182
Non-current liabilities			
Borrowings	9	147,018,729	-
Total liabilities		147,501,830	71,762,041
Net assets		68,053,647	78,882,243
Equity			
Share capital	11	160,456	160,456
Retained profit	12	67,893,191	78,721,787
Equity attributable to owners of the Company		68,053,647	78,882,243

The notes of pages 10 to 20 form an integral part of the financial statements.

The financial statements of HGHL Holdings Limited (Registered number: 08302976) were approved by the board of directors and authorised for issue on 23rd October 2020. They were signed on its behalf by:

Camille Nehme

Director

HGHL Holdings Limited
Statement of Changes in Equity
For the year ended 31 March 2020

	Share capital $	Retained profit $	Total $
Balance as at 31 March 2018	160,456	67,525,553	67,686,009
Profit for the year	-	474,102	474,102
Other comprehensive income for the year	-	10,722,132	10,722,132
Balance at 31 March 2019	160,456	78,721,787	78,882,243
Profit for the year	-	5,421,364	5,421,364
Other comprehensive income for the year	-	(16,249,960)	(16,249,960)
Balance at 31 March 2020	160,456	67,893,191	68,053,647

The notes of pages 10 to 20 form an integral part of the financial statements.

HGHL Holdings Limited
Cash Flow Statement
For the year ended 31 March 2020

	Note	2020 $	2019 $
Net Cash generated from / (used) in operating activities	13	3,006,869	(148,076)
Investing activities			
Interest received		2,186,637	7,663,501
Intercompany loans provided		(153,285,610)	-
Repayment of loans provided		47,958,000	41,859,500
Net cash generated from investing activities		(103,140,973)	49,523,001
Financing activities			
Net proceeds from bank loans drawn		146,876,500	-
Repayments of borrowings		(45,000,000)	(42,467,053)
Finance costs paid		(2,258,914)	(6,347,725)
Net cash used in financing activities		99,617,586	(48,814,778)
Net (decrease)/increase in cash and cash equivalents		(516,518)	560,147
Cash and cash equivalents at beginning of period		586,292	26,145
Cash and cash equivalents at end of period		69,774	586,292

The notes of pages 10 to 20 form an integral part of the financial statements.

1. General information

HGHL Holdings Limited is a private company incorporated in the United Kingdom under the UK Companies Act 2006. The address of the registered office is 16 Charles II Street, London, SW1Y4QU, United Kingdom. The company was incorporated on 21 November 2012. The nature of the company's operations and its principal activities are set out in the Director's report on page 1 and 2.

These financial statements are prepared for the year ended 31 March 2020. The financial statements are presented in US Dollars which is the company's functional currency.

2. Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Director's Report on page 1 and 2.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. On the basis of their assessment of the company's financial position and of the enquiries made of the Directors of Gulf Oil Corporation Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future.

The Novel Coronavirus (COVID-19), a Global Pandemic, has significantly affected the global economy and as a result the Directors have considered the impact on the Company. The Company has assessed its liquidity position for a period of at least one year from the balance sheet date, of the recoverability and carrying values of its assets comprising Investments, Trade Receivables, and loan receivables, and ability to pay its liabilities as they become due at the balance sheet date and has concluded that there is no material impact or adjustments required in the financial statements of the Company for the year ended March 31, 2020.

However, the impact assessment of COVID-19 is a continuing process and accordingly the impact may be different from that estimated as at the date of approval of these financial statements. The Company will continue to monitor any material changes to future economic conditions.

3. Significant accounting policies

3.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

3.2 Standards issued but not yet effective

A number of new Standards are effective for annual periods beginning after 1 January 2020 and earlier adoption is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

3.3 Accounting Policies

Foreign currency

The financial statements are presented in US dollars, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

3. Significant accounting policies (continued)

Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial

asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

3. Significant accounting policies (continued)

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets.

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL Trade receivables and contract assets with significant financing component are measured using the general model described above.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

3. Significant accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Financing income and expenses

Financing expenses include interest payable on borrowings. Financing income comprise interest receivable on loans receivable.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Administrative expenses

Administrative expenses include accountancy, directors and professional expenses. Expenses are accounted for on an accruals basis.

4. Critical judgements in applying the company's accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities 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 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.

During the year, there were no critical judgements made in applying the company's accounting policies.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may 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:

Valuation of investment

For the year ended 31 March 2019, management exercised judgement in their assessment of the fair value of the Company's investment in Gulf Houghton Lubricants Limited which holds the investment in Global Houghton Limited ("Houghton"). The valuation of this investment was dependent on the proposed transaction between Quaker Chemical Corporation, a public listed company on the New York Stock Exchange, and Gulf Houghton Lubricants Limited, announced on 4 April 2017 (the "Transaction"). The valuation methodology used significant inputs which were not based on observable market data; therefore, this valuation technique was classified as level 3 in the fair value hierarchy. Details of the valuation of the investment are provided in note 7. Given the announcement of the Transaction, management applied a Probability-Weighted Expected Return Method ("PWERM") in estimating the fair value of Houghton. Specifically, two scenarios were considered: i) a valuation of Houghton assuming the transaction does not close (i.e. a "standalone" valuation), and ii) a valuation of Houghton assuming the transaction does close. The valuation results for the two Scenarios were then weighted based on input regarding the likelihood of each occurring. Management assessed the probability of 70% be assigned to the likelihood of the transaction completing. This was based on an evaluation of the regulatory approval for the transaction to proceed. Detailed sensitivity analysis had been carried out

4. Critical judgements in applying the company's accounting policies and key sources of estimation uncertainty (continued)

and management were confident that the carrying amount of the asset as at 31st March 2019, represented fair value. An increase in probability to 80% were increased the fair value of the investment by $4,900,694. A decrease in probability to 50% would have represented a reduction in fair value of $9,801,388.

On August 1, 2019, Quaker Chemical Corporation and Houghton completed the Combination and acquired all of the issued and outstanding shares of Houghton from Gulf Houghton Lubricants, Ltd. ("Gulf") and certain other selling shareholders in exchange for a combination of cash and shares of the Company's common stock in accordance with the share purchase agreement dated April 4, 2017 (the "Share Purchase Agreement"). Consequently, the valuation methodology applied as at 31 March 2020 uses observable market data, on the basis that the beneficial holding relates to a single asset quoted on the New York Stock Exchange (Ticker: KWR), and is therefore classified as a Level 2 investment in the fair value hierarchy.

Loan receivable

The recoverability and credit risk assessment of the loan receivable from 57 Whitehall Investments SARL, which is linked to the property development activities of this entity.

5. Finance costs

	2020 $	2019 $
Interest on loans (including bank interest)	(1,044,929)	(3,961,233)
Letter of credit charges	(320,813)	(1,212,537)
Guarantee commission	(750,000)	(1,800,000)
Total interest expense	(2,115,742)	(6,973,770)
Finance income (note 15)	2,809,890	7,655,663
Net finance income	694,148	681,893

6. Tax

There is a corporation tax charge in 2020 as the tax losses carried forward from prior years have been utilised. $4,928,415 dividends received is non-taxable income, therefore $608,579 relating to net interest receipts is taxable at 19%.

	2020 $	2019 $
Profit before taxation	5,536,994	583,527
Tax calculated at 19% (2019 – 19%)	115,630	110,870
Effects of:		
Utilisation of tax losses	-	-
Income tax refund	-	(1,445)
Income tax expense	115,630	109,425

7. Available for sale investments

	Current	Non-Current
	2020	2019
	$	$
	78,190,061	67,467,929
	(16,249,960)	10,722,132
	61,940,101	78,190,061

As of 31st March 2014, the Company held a strategic non-controlling interest of 10% in GHGL London Limited. On 18th August 2014, these shares were exchanged for a 10% interest in a newly formed Gulf Houghton Lubricants Limited ("Investee Company"). These shares were not held for trading and accordingly were classified as available for sale with movements recognised in other comprehensive income. As at 31st March 2019, the fair value of the investment was a Hierarchy 3 and was calculated based on the value in use of the company in which investment was held. The value in use of the underlying investment held by the Investee Company was calculated using Discounted Cash Flow method ("DCF") and Market Approach. The DCF Method comprised of four steps: 1) Estimated future cash flows for a certain discrete projection period; 2) Discounted these cash flows to present value at a rate of return that considered the relative risk of achieving the cash flows and the time value of money; 3) Estimated the terminal value of cash flows subsequent to the discrete projection period; and 4) Combined the present value of the terminal cash flows with the discrete projection period cash flows to indicate the Fair Value. The Market Approach indicated the fair value of a business based on a comparison of the business to comparable firms in similar lines of business that were publicly-traded or which were part of a public or private transaction, as well as prior company transactions.

Given the announcement of the Transaction (on 24th July 2019 regarding approval from the US FTC), management applied a Probability-Weighted Expected Return Method ("PWERM") in estimating the fair value of Houghton, the valuation analysis included, inter alia, a review of the historical and prospective financial information, analysis of general market data, outlook for the speciality chemical industry, data of publicly-traded companies engaged in a similar line of business, discussions with management, as well as consideration surrounding the probability of closing the transaction.

The assumptions underlying the valuation were based on discussions with management, analysis of historical financial performance for the Company, and consideration of industry projections, as the basis for projecting future cash flows. In particular, management provided a forecast for FY 2019 and long-term projections through FY 2023. Management's projections were then extended to ramp down growth to an assumed inflationary level by FY 2027 (collectively, FY 2019 through FY 2027 is the "Projection Period").

Key assumptions:

- Sales growth rates
- Profit margins
- Terminal value
- Discount rate
- Taxation rate
- Alpha rate

Determination of assumptions:

- Growth rates were internal forecasts based on both internal and external market information.
- Margins reflected past experience, adjusted for expected changes.
- Terminal value was based on a normalized available debt free cash flow estimated for the terminal year. Revenue was estimated to grow at 2.5% per year.
- In consideration of the discount rate, it was assessed that typical investors would require a WACC of 10.25%.
- Taxation rates based on appropriate rates for each region.
- Alpha rate

The value of the investment decreased by $16,249,960 (2019: increased by $10,722,132) during the year.

7. Available for sale investments (continued)

On 1st August 2019, Quaker Chemical Corporation and Houghton completed the Combination and acquired all of the issued and outstanding shares of Houghton from Gulf Houghton Lubricants, Ltd. ("Gulf") and certain other selling shareholders in exchange for a combination of cash and shares of the Company's common stock in accordance with the share purchase agreement dated 4th April 2017 (the "Share Purchase Agreement"). Consequently, the valuation methodology applied as at 31st March 2020 uses observation market data, on the basis that the beneficial holding relates to a single asset quoted on the New York Stock Exchange (Ticker: KWR). The valuation in the current year was based on the attributable number of shares at the closing market price of KWR, plus attributable cash proceeds adjusted for dividends and interest. The investment is therefore classified as a Level 2 financial instrument. Refer note 17.

8. Trade and other receivables

	2020 $	2019 $
Accrued income	577,150	201,874
VAT receivable	724	-
Prepayments	86,879	3,600
Dividends receivable	1,642,805	-
	2,307,558	205,474

The carrying value of trade and other receivables approximate their fair value due to the short-term maturities or nature of these instruments. All trade and other receivables are held as loans and receivables.

9. Borrowings

	2020 $	2019 $
Unsecured borrowing at amortised cost		
Loans from related parties	-	26,000,000
	-	26,000,000
Secured borrowing at amortised cost		
Bank loans	150,000,000	45,000,000
Less: Capitalised fees	(2,981,271)	(23,297)
	147,018,729	44,976,703
Total borrowings	147,018,729	70,976,703
Amount due for settlement within 12 months		70,976,703
Amount due for settlement after 12 months	147,018,729	

The other principal features of the company's borrowings are as follows.

(i) On 18th December 2012, the Company received an interest-free loan of $26,000,000 from Gulf International Lubricants Limited to finance the investment in GHGL London Limited. The loan did not have a fixed repayment schedule and was repayable on demand.

(ii) An external loan of $300,000,000 was taken on 18th December 2012 from SBI (State Bank of India). The facility was for a period of seven years, with the final capital repayment due on 15th November 2019. During the period, the outstanding balance of $45,000,000 on the facility was settled (2019: $43,200,000). Interest on loan was

9. Borrowings (Continued)

charged at an effective rate of 6.55% (March 2019: 6.27%) which was total of 2.75% (March 2019: 2.75%) fixed interest, 2.62% (March 2019: 2.34%) Libor rate and 1.18% (March 2018: 1.18%) Letter of credit (LOC) rate.

The carrying value of borrowings approximates its fair value as at 31st March 2019 due to floating interest rates being applicable to a majority of the borrowings. All borrowings are held at amortised cost.

(iii) An external loan of $150,000,000 from UBI (Union Bank of India) was taken in two tranches, $75,000,000 on 10th March 2020 and $75,000,000 on 12th March 2020. Interest on loan is charged at an effective rate of 4.56%, which is fixed at 2.60% fixed interest, plus 0.896% Libor rate and 1.06% Letter of credit (LOC) rate.

The carrying value of borrowings approximates its fair value as at 31st March 2020 due to floating interest rates being applicable to the borrowings. All borrowings are held at amortised cost.

10. Trade and other payables

	2020 $	2019 $
Interest payable	296,970	661,733
Trade creditor	177,418	12,735
Corporation tax payable	8,713	110,870
	483,101	785,338

The carrying value of trade and other payables approximates its fair value. All trade and other payables are held at amortised cost.

11. Share capital

	2020 $	2019 $
Authorised, allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	160,456	160,456

The Company has one class of ordinary shares which carry no right to fixed income and were issued on incorporation.

12. Retained profit

	2020 $	2019 $
Opening balance	78,721,787	67,525,553
Profit for the period	5,421,364	474,102
Other comprehensive income/(expense)	(16,249,960)	10,722,132
Closing balance	67,893,192	78,721,787

The retained profit comprises the accumulated comprehensive income of the company, less any dividends paid.

13. Notes to the cash flow statement

	2020 $	2019 $
Profit for the period after tax	5,421,364	474,102
Adjustments for:		
Movements in working capital	(1,720,348)	59,715
	3,701,016	550,044
Interest receivable	(2,809,890)	(7,655,663)
Interest payable	2,115,742	6,973,770
Net cash from operating activities	3,006,869	(148,076)

14. Financial Instruments

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings disclosed in note 9 after deducting cash and bank balances), and equity of the company's parent, comprising issued capital and retained earnings as disclosed in notes 11 to 12. The Company is an investment holding company.

Interest rate risk management

The Company is exposed to interest rate risk because it borrows funds at floating interest rates. The Company's profit before tax would decrease by $156,250 (2019: $225,000) if LIBOR increases by 50 basis points.

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

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.

Trade receivables and loans to other group entities consist of a receivable from a related party and considers the credit risk from the related party to be low based on the financial position of the counter party.

Liquidity risk management

The company receives interest income in time to pay the interest expense. Payments are received from the related party in time for repayments of the bank borrowings.

Liquidity and interest risk tables

The following tables details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay and the undiscounted amount are derived from the interest rate curve. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Company may be required to pay.

14. Financial Instruments (Continued)

	Weighted average effective interest rate %	Less than 1 year $	1-5 years $	> 5 years $	Total $
31 March 2020					
Non-interest bearing	-	-	-	-	-
Variable interest rate instruments	4.56	-	65,625,000	84,375,000	150,000,000
Principal		-	65,625,000	84,375,000	150,000,000
Interest		6,837,000	23,159,151	5,720,053	35,716,203
31 March 2019					
Non-interest bearing	-	26,000,000	-	-	26,000,000
Variable interest rate instruments	6.27	44,976,703	-	-	44,976,703
Principal		70,796,703	-	-	70,976,703
Interest		4,450,239	-	-	4,450,239

Liquidity and interest risk tables

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average effective interest rate %	Less than 1 year $	1-5 years $	> 5 years $	Total $
31 March 2019					
Fixed interest rate instruments	6.40	71,662,457	-	-	71,662,457
Trade and other receivable	-	205,474	-	-	205,474
		71,867,931	-	-	71,867,931
31 March 2020					
Fixed interest rate instruments	6.59	-	65,625,000	84,375,000	150,000,000
Trade and other receivable	-	2,307,559	-	-	2,307,559
		2,307,559	65,625,000	84,375,000	152,307,559

The loan balance of $71,662,457 to Gulf Oil International Limited (Borrower) was settled during the year through cash payment as well as an agreed offset of the $26 million from Gulf Oil International Limited, and a new loan arrangement was entered into with 57 Whitehall Investments SARL.

15. Related party transactions

Gulf Oil Corporation Limited (GOCL) incorporated in India is the immediate parent company of this Company throughout the financial period. The financial statements of GOCL are available at its registered office at Kukatpally, Hyderabad, India. The ultimate parent company of the Company is Hinduja Power Limited.

The company has had a number of transactions with companies within the Gulf Oil International Limited group. Given below are details of the transactions during the period and the balances at balance sheet date with related parties of the Company. The carrying amount of these assets and liabilities approximates their fair value. There are no past due or impaired receivable balances.

31 March 2020

Transactions	Immediate Parent $	Others $
Interest income	-	2,809,890
Interest expense	-	-
Guarantee Commission	(750,000)	-
Balances		
Loans given	-	1,238,044
Trade and other payables	-	177,418
Trade and other receivables	-	1,642,805

31 March 2019

Transactions	Immediate Parent $	Others $
Interest income	-	7,655,663
Interest expense	-	-
Guarantee Commission	(1,800,000)	-
Balances		
Loan given	-	71,662,457
Loan received (note 9)	-	26,000,000
Trade and other payables	-	785,337
Trade and other receivables	-	205,474

16. Auditor's remuneration

Fees payable to KPMG Audit LLC and their associates for the audit of the company's annual accounts were $38,326 (2019: $32,826). No non-audit fees were paid to KPMG Audit LLC for the year ended 31 March 2020.

17. Loans receivable

During the year the company has lent $150 million to 57 Whitehall Investments SARL, which is undertaking a significant commercial property development in London, The Old War Office. The loan has a rate of interest of 5.7% margin above USD LIBOR, with repayment commencing in June 2023 and a final instalment of $40.6m due in December 2026.

18. Subsequent events

On 29th September 2020, the Company executed a Sale and Purchase Agreement with Gulf Oil International Limited, whereby the Company agreed to sell and Gulf Oil International Limited agreed to purchase 4.7% of the shareholding in Gulf Houghton Lubricants, for a consideration of $38,086,537. The consideration was paid on 9th October 2020.