

## Independent Auditor's Report

### The Shareholder of Pidilite Middle East Limited

#### Opinion

We have audited the financial statements of Pidilite Middle East Limited, ("the Company"), which comprise of the statement of financial position as at March 31, 2018, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, present fairly, in all material aspects, the financial position of Pidilite Middle East Limited as at March 31, 2018, and of its financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards for Small and Medium-sized Entities.

#### Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities, and the offshore Companies Regulation of 2003 issued by the Jebel Ali Free Zone Authority and for such internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements 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 risks of not detecting a material misstatements resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentation or override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of 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 going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

We also provide to the Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.



**UHY Saxena**  
**Dubai**  
**May 10, 2018**





**Pidilite Middle East Limited**  
**Statement of Financial Position**  
**As at March 31, 2018**

| (Figures in AED)                             | Note | 2018                     | 2017                     |
|--|------|--------------------------|--------------------------|
| <b>ASSETS</b>                                |      |                          |                          |
| <b>Current Assets</b>                        |      |                          |                          |
| Bank balances                                | 4    | 307,331                  | 236,935                  |
| Other receivable                             | 5    | 98,833                   | Nil                      |
| Total Current Assets                         |      | <u>406,164</u>           | <u>236,935</u>           |
| <b>Non-Current Assets</b>                    |      |                          |                          |
| Loan to subsidiaries                         | 6    | 35,905,344               | 27,009,345               |
| Investments                                  | 7    | 946,276                  | 1,100,629                |
| Long term loan                               | 8    | 3,500,000                | 3,500,000                |
| Total Non-Current Assets                     |      | <u>40,351,620</u>        | <u>31,609,974</u>        |
| <b>Total Assets</b>                          |      | <b><u>40,757,784</u></b> | <b><u>31,846,909</u></b> |
| <b>LIABILITIES AND EQUITY</b>                |      |                          |                          |
| <b>Current Liabilities</b>                   |      |                          |                          |
| Other payable                                | 9    | 11,200                   | 21,200                   |
| Total Current Liabilities                    |      | <u>11,200</u>            | <u>21,200</u>            |
| <b>Equity</b>                                |      |                          |                          |
| Share capital                                | 10   | 88,379,492               | 79,001,692               |
| Retained losses                              |      | (47,632,908)             | (47,175,983)             |
| Total Equity Attributable to the Shareholder |      | <u>40,746,584</u>        | <u>31,825,709</u>        |
| <b>Total Liabilities and Equity</b>          |      | <b><u>40,757,784</u></b> | <b><u>31,846,909</u></b> |

These financial statements were approved by the Board of Directors on May 10, 2018 and signed on their behalf by:



Director

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

**Pidilite Middle East Limited**  
**Statement of Comprehensive Income**  
**Year Ended March 31, 2018**

| (Figures in AED)                       | Note | 2018                    | 2017                       |
|--|------|-------------------------|----------------------------|
| Other income                           | 12   | Nil                     | 16,481                     |
| Impairment loss on loans to subsidiary |      | Nil                     | (24,564,503)               |
| Loan to subsidiary written off         |      | (304,501)               | Nil                        |
| Loss on sale of shares in subsidiary   |      | (104,194)               | Nil                        |
| General and administration expenses    | 13   | (38,950)                | (48,700)                   |
| Finance costs                          | 14   | (9,280)                 | (12,978)                   |
| <b>Loss for the year</b>               |      | <b><u>(456,925)</u></b> | <b><u>(24,609,700)</u></b> |

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



**3 Summary of Significant Accounting Policies**

**Revenue Recognition**

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for the Company activities.

Dividend income from investments, is recognised when the Company's right to receive dividend is established.

**Investments**

Subsidiary

Investment in subsidiary represents investments in entity over which the parent Company has the power to control and govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in subsidiaries are stated at cost less impairment, if any, which is charged to the statement of comprehensive income.

Associates

Investment in associates represents investments in entities over which the Company has the power to exercise significant influence and not control, through participation in the investees' financial and operating policy decisions. Investments in associates are accounted for at cost less any accumulated impairment losses. Dividend income from investments in associates is recognised when the Company's right to receive payment has been established and is included in other income.

**Financial Instruments**

Financial assets are recognised when the Company becomes a party to the contractual provision of the financial instrument. Financial assets are derecognised when the contractual rights to receive the cash flows expire or substantially all the risks and rewards of ownership have been transferred. These are stated at cost less impairment losses. These are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. The Company derecognises financial liabilities when they are discharged, cancelled or expired. These are stated at cost, or where the impact is material at amortised cost using the effective interest method. These are included in current liabilities, except for maturities greater than 12 months after the balance sheet which are classified as non-current liabilities.

Financial instruments comprise of long-term loan, amounts due from related parties and cash at bank.



**Pidilite Middle East Limited**  
**Notes to the Financial Statements**  
**March 31, 2018**

**3 Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents comprise of bank accounts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Other Payable**

Other payable are stated at nominal amounts payable for goods or services rendered.

**Provisions**

Provisions are recognised when the Company has a present obligation as a result of past event and it is probable that the outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the amount expected to be required to settle the obligation and the risk specific to the obligation.

**Foreign Currencies Translations**

The financial statements are presented in Arab Emirates Dirham's, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year - end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

| <b>(Figures in AED)</b>               | <b>2018</b>         | <b>2017</b>         |
|---------------------------------------|---------------------|---------------------|
| <b>4 Bank Balances</b>                |                     |                     |
| Balance in foreign currency accounts  | 443                 | 725                 |
| Balance in local currency accounts    | <u>306,888</u>      | <u>236,210</u>      |
|                                       | <u>307,331</u>      | <u>236,935</u>      |
| <b>5 Other Receivables</b>            |                     |                     |
| Receivable towards the sale of shares | <u>98,833</u>       | <u>Nil</u>          |
|                                       | <u>98,833</u>       | <u>Nil</u>          |
| <b>6 Loan to Subsidiaries</b>         |                     |                     |
| Pidilite MEA Chemicals LLC            | 80,239,469          | 71,038,969          |
| Building System Solution Trading      | Nil                 | 304,501             |
| Plus Call Technical Services LLC      | 2,276,873           | 2,276,873           |
| Less: Impairment loss                 | <u>(46,610,998)</u> | <u>(46,610,998)</u> |
|                                       | <u>35,905,344</u>   | <u>27,009,345</u>   |





**Pidilite Middle East Limited**  
**Notes to the Financial Statements**  
**March 31, 2018**

(Figures in AED) 2018 2017

**6 Loan to subsidiaries (Continued)**

The above balances represents an interest free loan with an indefinite repayment period to the subsidiaries Pidilite MEA Chemicals LLC, Building System Solution Trading and Plus Call Technical Services LLC.

**7 Investments**

**a. Subsidiary**

|  |         |         |
|--|---------|---------|
| 300 shares of Pidilite MEA Chemicals LLC @ AED 1,000 each        | 300,000 | 300,000 |
| 200 shares of Building System Solution Trading of QAR 1,000 each | Nil     | 203,027 |

**b. Associates**

|  |         |         |
|--|---------|---------|
| 1,142 shares of PT Pidilite Indonesia of USD 10 each                                       | 42,454  | 41,166  |
| 35,268 shares of Pidilite Speciality Chemicals Bangladesh Private Limited of Taka 100 each | 182,633 | 182,633 |
| 3,698 shares of Pidilite Industries Egypt-SAE  | 206,736 | 206,736 |
| 192 shares of Pidilite Lanka Private Limited of Rupees 127 each                            | 639     | 357     |
| 120 shares of Plus Call Technical Services LLC of AED 1,000 each                           | 120,000 | 120,000 |
| Nebula - Kenya Nairobi 500   | 2,329   | 2,329   |

**c. Share application**

|                           |         |           |
|---------------------------|---------|-----------|
| Pidilite Industries Egypt | 91,485  | 44,381    |
|                           | 946,276 | 1,100,629 |

**8 Long Term Loan**

|                            |           |           |
|----------------------------|-----------|-----------|
| Pidilite MEA Chemicals LLC | 3,500,000 | 3,500,000 |
|                            | 3,500,000 | 3,500,000 |

The amount represents an interest free loan with an indefinite repayment period to the subsidiary Pidilite MEA Chemicals LLC.

**9 Other Payable**

|                  |        |        |
|------------------|--------|--------|
| Accrued expenses | 11,200 | 21,200 |
|                  | 11,200 | 21,200 |

**10 Share Capital**

|                                 |              |              |
|---------------------------------|--------------|--------------|
| <u>Authorised share capital</u> |              |              |
| 100,000,000 shares of AED       | 100,000,000  | 100,000,000  |
| Less: Uncalled share capital    | (11,620,508) | (20,998,308) |
| <u>Paid up share capital</u>    |              |              |
| 88,379,492 shares of AED 1      | 88,379,492   | 79,001,692   |
|                                 | 88,379,492   | 79,001,692   |





**Pidilite Middle East Limited**  
**Notes to the Financial Statements**  
**March 31, 2018**

(Figures in AED) 2018 2017

**11 Transactions with Related Parties**

The Company, in the normal course of business carries out transactions with parties that fall within the definition of related party contained in the International Financial Reporting Standards for Small and Medium-sized Entities.

The nature of related-party transactions during the year and the respective amounts were as follows:

|                                |         |        |
|--------------------------------|---------|--------|
| Investment in associates       | 1,570   | 13,568 |
| Sale of shares in subsidiaries | 203,027 | Nil    |
| Director fees                  | 20,000  | 20,000 |

Related party balances as at the year end are classified as under:

| Related Party | Classification                      |         |         |
|---------------|-------------------------------------|---------|---------|
| Associates    | Investment in associates (Note 7)   | 554,791 | 553,221 |
| Subsidiaries  | Investment in subsidiaries (Note 7) | 300,000 | 503,027 |

**12 Other Income**

|          |     |        |
|----------|-----|--------|
| Dividend | Nil | 16,481 |
|          | Nil | 16,481 |

**13 General and Administration Expenses**

|                        |        |        |
|------------------------|--------|--------|
| Director fees          | 20,000 | 20,000 |
| Legal and professional | 18,950 | 28,700 |
|                        | 38,950 | 48,700 |

**14 Finance Costs**

|               |       |        |
|---------------|-------|--------|
| Exchange loss | 5,329 | 3,989  |
| Bank charges  | 3,951 | 8,989  |
|               | 9,280 | 12,978 |

**15 Contingent Liabilities**

Except for the ongoing service commitments in the normal course of business against which no loss is expected, there are no other known contingent liabilities existing at the balance sheet date.



**Pidilite Middle East Limited**  
**Notes to the Financial Statements**  
**March 31, 2018**

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**16** Comparative Figures

Certain of the prior year figures have been regrouped to conform with the presentation of the current year.

These financial statements were approved by the Board of Directors on May 10, 2018 and signed on their behalf by:



Director

