

Pidilite MEA Chemicals L.L.C.
Dubai - United Arab Emirates
Auditor's report and financial statements
For the year ended March 31, 2019

Pidlite MEA Chemicals L.L.C.
Dubai - United Arab Emirates

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Pidilite MEA Chemicals L.L.C.
Dubai - United Arab Emirates

Director's report

The Director has pleasure in presenting his report and the audited financial statements for the year ended March 31, 2019.

Principal activities of the Entity:

The Entity is licensed to engage in manufacturing and trading of acid, gum & glue, paint, varnish, insulation materials, adhesives, industrial solvents and construction chemicals.

Financial review:

The table below summarizes the results denoted in Arab Emirates Dirham (AED).

	<u>2019</u>	<u>2018</u>
Revenue	52,244,696	47,112,088
Gross profit	6,545,807	5,000,910
Gross profit margin	12.5%	10.6%
Net (loss) for the year	(6,618,974)	(8,387,467)

Going concern:

The Entity has incurred a (loss) of AED 6,618,974 during the year and has accumulated (losses) of AED 69,412,664 as at the reporting date. The management has no intention of discontinuing the operations of the Entity. The shareholder has agreed to provide continued financial support to the Entity. Hence, the attached financial statements have been prepared on a going concern basis.

Events after year end:

In the opinion of the Director, no transaction or event of a material and unusual nature, favourable or unfavourable has arisen in the interval between the end of the financial year and the date of this report, that is likely to affect, substantially the result of the operations or the financial position of the Entity.

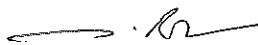
Auditor:

M/s. Crowe Mak, Dubai - United Arab Emirates is willing to continue in office and a resolution to re-appoint them will be proposed in the Annual General Meeting.

Statement of Director's responsibilities

The audited financial statements for the year under review, have been prepared in conformity and in compliance with the relevant statutory requirements and other governing laws. The Director confirms that sufficient care has been taken for the maintenance of proper and adequate accounting records that disclose with reasonable accuracy at any time, the financial position of the Entity and enables him to ensure that the financial statements comply with the requirements of applicable statute. The Director also confirms that appropriate accounting policies have been selected and applied consistently in order that the financial statements reflect fairly the form and substance of the transactions carried out during the year under review and reasonably present the Entity's financial conditions and results of its operations.

These financial statements were approved by the Board and signed on behalf by the authorized representative of the Entity.



Mr. Sohail Badar

Director

April 30, 2019

Ref: JM/AR/19/12144

Independent auditor's report

To,

The Shareholders
M/s. Pidilite MEA Chemicals L.L.C.
Dubai - United Arab Emirates**Report on the audit of the financial statements****Opinion**

We have audited the accompanying financial statements of **M/s. Pidilite MEA Chemicals L.L.C.**, Dubai - United Arab Emirates (the "Entity") which comprise the statement of financial position as at March 31, 2019 and the statement of profit or loss and other 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 respects, the financial position of the Entity as at March 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Entity in accordance with the requirements of Code of Ethics for Professional Accountants, issued by International Ethics Standards Board for Accountants (IESBA) together with ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note - 2 to these financial statements. The Entity has incurred a (loss) of AED 6,618,974 during the year and has accumulated (losses) of AED 69,412,664 as at the reporting date. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), in compliance with the requirements of applicable laws 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Independent auditor's report to the shareholders of Pidilite MEA Chemicals L.L.C. (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 skepticism throughout the audit. We also:

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

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

Report on other legal and regulatory requirements

As required by the U.A.E. Federal Commercial Companies Law No. 2 of 2015, we further confirm that,

- 1 We have obtained all the information and explanations which we consider necessary for our audit.
- 2 The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the U.A.E. Federal Commercial Companies Law No. 2 of 2015 and the Memorandum and Articles of Association of the Entity.

Independent auditor's report to the shareholders of Pidilite MEA Chemicals L.L.C. (continued)

Report on other legal and regulatory requirements (continued)

- 3 Proper books of accounts have been maintained by the Entity.
- 4 The contents of the Director's report which relates to the financial statements are in agreement with the Entity's books of account.
- 5 The Entity has not made any investments in shares and stocks during the year ended March 31, 2019.
- 6 Note 17 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.
- 7 Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Entity has contravened, during the financial year ended, any of the applicable provisions of the U.A.E. Federal Commercial Companies Law No. 2 of 2015 or the Memorandum and Articles of Association of the Entity, which would materially affect its activities or its financial position as at March 31, 2019.

For Crowe Mak



James Mathew
Senior Partner
Regn. No. 548



April 30, 2019
Dubai - United Arab Emirates

Pidilite MEA Chemicals L.L.C.
Dubai - United Arab Emirates

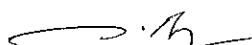
Statement of financial position as at March 31, 2019
(In Arab Emirates Dirham)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5	22,616,418	24,551,958
Intangible asset	6	<u>979,050</u>	979,050
<i>Total non-current assets</i>		<u>23,595,468</u>	<u>25,531,008</u>
<i>Current assets</i>			
Inventories	7	7,282,492	7,883,964
Trade receivables	8	18,818,796	17,656,726
Advances, deposits and other receivables	9	1,429,345	1,285,072
Cash balances	10	<u>5,996</u>	18,010
<i>Total current assets</i>		<u>27,536,629</u>	<u>26,843,772</u>
Total assets		<u><u>51,132,097</u></u>	<u><u>52,374,780</u></u>
Equity and liabilities			
<i>Equity</i>			
Share capital	11	300,000	300,000
Accumulated (losses)	12	(69,412,664)	(62,793,690)
Shareholder's loan	13	<u>86,517,469</u>	83,739,469
<i>Total equity</i>		<u>17,404,805</u>	<u>21,245,779</u>
<i>Non-current liabilities</i>			
Employees' end of service benefits	15	<u>1,610,993</u>	1,310,130
<i>Total non-current liabilities</i>		<u>1,610,993</u>	1,310,130
<i>Current liabilities</i>			
Bank borrowings	14	16,912,168	15,692,352
Trade and other payables	16	5,480,166	4,838,458
Due to related parties	17	<u>9,723,965</u>	9,288,061
<i>Total current liabilities</i>		<u>32,116,299</u>	<u>29,818,871</u>
Total liabilities		<u>33,727,292</u>	31,129,001
Total equity and liabilities		<u><u>51,132,097</u></u>	<u><u>52,374,780</u></u>

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

The report of the auditor is set out on pages 2 to 4.

The financial statements on pages 5 to 30 were approved on April 29, 2019 and signed on behalf of the Entity, by:



Mr. Sohail Badar
Director

Pidilite MEA Chemicals L.L.C.
Dubai - United Arab Emirates

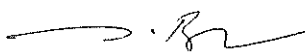
Statement of profit or loss and other comprehensive income for the year ended March 31, 2019
(In Arab Emirates Dirham)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Revenue	18	52,244,696	47,112,088
Cost of revenue	19	(45,698,889)	(42,111,178)
Gross profit		6,545,807	5,000,910
Other income	20	76,499	24,867
Selling and distribution expenses	21	(4,362,044)	(3,531,381)
Administrative expenses	22	(8,253,356)	(9,372,867)
Finance costs	23	(625,880)	(508,996)
(Loss) for the year		(6,618,974)	(8,387,467)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		(6,618,974)	(8,387,467)

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

The report of the auditor is set out on pages 2 to 4.

The financial statements on pages 5 to 30 were approved on April 29, 2019 and signed on behalf of the Entity, by:



Mr. Sohail Badar
Director

Pdilite MEA Chemicals L.L.C.
Dubai - United Arab Emirates

Statement of changes in equity for the year ended March 31, 2019
(In Arab Emirates Dirham)

	<u>Share capital</u>	<u>Accumulated (losses)</u>	<u>Shareholder's loan</u>	<u>Total equity</u>
Balance as at March 31, 2017	300,000	(54,406,223)	74,538,969	20,432,746
(Loss) for the year	-	(8,387,467)	-	(8,387,467)
Net movements during the year	-	-	9,200,500	9,200,500
Balance as at March 31, 2018	300,000	(62,793,690)	83,739,469	21,245,779
(Loss) for the year	-	(6,618,974)	-	(6,618,974)
Net movements during the year	-	-	2,778,000	2,778,000
Balance as at March 31, 2019	300,000	(69,412,664)	86,517,469	17,404,805

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

The report of the auditor is set out on pages 2 to 4.

Pidilite MEA Chemicals L.L.C.
Dubai - United Arab Emirates

Statement of cash flows for the year ended March 31, 2019
(In Arab Emirates Dirham)

	2019	2018
Cash flows from operating activities		
(Loss) for the year	(6,618,974)	(8,387,467)
<i>Adjustments for:</i>		
(Gain) on disposal of property, plant and equipment	(34,725)	(19,999)
Depreciation on property, plant and equipment	2,081,464	2,000,602
Allowance for slow moving inventories	262,676	287,805
Impairment of trade receivables	660,563	927,103
Impairment of amounts due from a related party	-	143,073
Bad debts written off	-	637,749
Finance costs	625,880	508,996
Provision for employees' end of service benefits	348,858	300,111
Operating (loss) before changes in operating assets and liabilities	(2,674,258)	(3,602,027)
<i>(Increase)/decrease in assets</i>		
Inventories	338,796	(1,348,962)
Trade receivables	(1,822,633)	(6,251,473)
Advances, deposits and other receivables	(144,273)	(148,795)
Due from a related party	-	927,606
<i>Increase/(decrease) in liabilities</i>		
Due to related parties	435,904	1,325,083
Trade and other payables	641,708	1,543,999
Cash (used in) operations	(3,224,756)	(7,554,569)
Employees' end of services benefits paid	(47,995)	(208,092)
Net cash (used in) operating activities	(3,272,751)	(7,762,661)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(151,199)	(636,258)
Proceeds from sale of property, plant and equipment	40,000	19,999
Net cash (used in) investing activities	(111,199)	(616,259)
Cash flows from financing activities		
Shareholder's loan	2,778,000	9,200,500
Finance costs paid	(625,880)	(508,996)
Net cash from financing activities	2,152,120	8,691,504
Net (decrease)/increase in cash and cash equivalents	(1,231,830)	312,584
Cash and cash equivalents, beginning of the year	(15,674,342)	(15,986,926)
Cash and cash equivalents, end of the year	(16,906,172)	(15,674,342)
Cash and cash equivalents		
Cash in hand	5,996	18,010
Bank overdrafts	(16,912,168)	(15,692,352)
	(16,906,172)	(15,674,342)

The accompanying notes form an integral part of these financial statements.
The report of the auditor is set out on pages 2 to 4.

Notes to the financial statements for the year ended March 31, 2019

1 Legal status and business activities

- 1.1** M/s. Pidilite MEA Chemicals (L.L.C.), Dubai - United Arab Emirates (the "Entity") was incorporated on June 28, 2005, as a Limited Liability Company and operates in the United Arab Emirates under an industrial license issued by the Dubai Economy, Government of Dubai, Dubai - United Arab Emirates.
- 1.2** The Entity is licensed to engage in manufacturing and trading of acid, gum & glue, paint, varnish, insulation materials, adhesives, industrial solvents and construction chemicals.
- 1.3** The registered address of the Entity is P.O. Box: 120657, Dubai - United Arab Emirates.
- 1.4** The management and control is vested with the Director, Mr. Sohail Badar (Indian national).
- 1.5** These financial statements incorporate the operating results of the Industrial license no. 570849.
- 1.6** These financial statements also incorporate operating results of M/s. Pidilite MEA Chemicals L.L.C. - (Branch), Dubai - United Arab Emirates Industrial license no. 600238.

2 Material uncertainty related to going concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Entity has incurred a (loss) of AED 6,618,974 during the year and has accumulated (losses) of AED 69,412,664 as at the reporting date.

The shareholder has agreed to provide necessary financial support to enable the Entity to continue its operations and settle its obligations as and when they fall due. The shareholder contributed loan of AED 86,517,469 (2018: AED 83,739,469) as at reporting date. The management has no intentions to discontinue the operations of the Entity. Accordingly, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Entity be unable to continue as a going concern.

3 New standards and amendments

3.1 New standards and amendments - applicable January 01, 2018

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after January 01, 2018.

IFRS 9 Financial Instruments and associated amendments to various other standards.

IFRS 15 Revenue from contracts with customer and associated amendments to various other standards
Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
Annual improvements 2014-2016 cycle

Transfers of Investment Property – Amendments to IAS 40

Interpretation 22 Foreign Currency Transactions and Advance Consideration

3.2 New standards and amendments issued but not effective for the current annual period.

The following standards and interpretations had been issued were not mandatory for annual reporting periods ending December 31, 2018.

Description

**Effective for annual periods
beginning on or after**

IFRS 16 - Leases

January 1, 2019. Earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

January 1, 2019

Notes to the financial statements for the year ended March 31, 2019

3 New standards and amendments (continued)

3.2 New standards and amendments issued but not effective for the current annual period (continued)

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements in the period of initial application.

3.3 Impact of standards adopted in 2018

3.3.1 IFRS 15 Revenue from Contract with Customers

The effect of adoption of IFRS 15 on the balance sheet and retained earnings is not material and disclosed where applicable in the notes to these financial statements.

3.3.2 IFRS 9 Financial Instruments

The Entity adopted IFRS 9 Financial Instruments from April 01, 2018. The effect of adoption of IFRS 9 on the balance sheet and retained earnings is not material and has been disclosed where applicable in the notes to these financial statements.

3.4 Impact of standards issued but not yet applicable

3.4.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and will supersede IAS 17 Leases. It will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance lease is removed for leases. Under the new standard, both an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The standard is mandatory for financial years commencing on or after January 1, 2019. The Entity has decided not to adopt the standard before its effective date.

The standard will affect primarily the accounting for the Entity's operating lease. At the reporting date, the Entity has operating lease commitments of AED 9,762,340. The Entity, plans to use the recognition exemption for low value leases such as personal computers and to recognize on a straight line basis as an expense in the income statement.

4 Significant accounting policies

4.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the applicable laws. These financial statements are presented in Arab Emirates Dirham (AED) which is the Entity's functional and presentation currency.

4.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets or goods or services. The principal accounting policies applied in these financial statements are set out below.

4 Significant accounting policies (continued)

4.3 Current/Non current classification

The Entity presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

Expected to be realised or intended to sold or consumed in normal operating cycle or held primarily for the purpose of trading or Expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

It is expected to be settled in normal operating cycle or it is held primarily for the purpose of trading or it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Entity classifies all other liabilities as non-current.

4.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or

In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Entity.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4.5 Foreign currency

The transactions in currencies other than the Entity's functional currency are recognised at the rates of exchange prevailing at 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 that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

4.6 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and identified impairment loss, if any. The cost comprise of purchase price, together with any incidental expense of acquisition.

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 Entity and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is spread over its useful lives so as to write off the cost of property, plant and equipment using the straight-line method over its useful lives as follows:

4 Significant accounting policies (continued)

4.6 Property, plant and equipment (continued)

	<u>Years</u>
Building	20
Plant and machinery	5 - 10
Vehicles	4
Furniture and fixtures	5
Tools and lab equipments	5
Office equipments	5

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The building is being depreciated over the period from when it became available for use up to the end of the lease term.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

4.7 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Trademarks

Trademarks are shown at historical cost. Trademarks have infinite useful life and are carried at cost less impairment loss (if any).

4.8 Impairment of tangible and intangible assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible 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 (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

4 Significant accounting policies (continued)

4.8 Impairment of tangible and intangible assets (continued)

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 the statement of profit or loss.

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, but so that 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 the statement of profit or loss.

4.9 Financial instruments

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

4.10 Financial assets

Classifications

The Entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI "FVTOCI", or through profit or loss "FVTPL"), and
- those to be measured at amortised cost.

The classification depends on the Entity's business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

At initial recognition, the Entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets comprise of cash and cash equivalents, receivables and other financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Receivables

Receivable balances that are held to collect are subsequently measured at the lower of amortized cost or the present value of estimated future cash flows. The present value of estimated future cash flows is determined through the use of value adjustments for uncollectible amounts. The Entity assesses on a forward-looking basis the expected credit losses associated with its receivables and adjusts the value to the expected collectible amounts.

Receivables are written off when they are deemed uncollectible because of bankruptcy or other forms of receivership of the debtors. The assessment of expected credit losses on receivables takes into account credit-risk concentration, collective debt risk based on average historical losses, specific circumstances such as serious adverse economic conditions in a specific country or region and other forward-looking information.

4 Significant accounting policies (continued)

4.10 Financial assets (continued)

Impairment of financial assets

The Entity assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Entity applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition of financial assets

The Entity 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 Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognises its retained interest in the asset and an associated liability for the amounts, it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognise the financial asset.

4.11 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Entity's financial liabilities include trade and other payables, bank borrowings and due to related parties.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

Due to related parties

Amounts due to related parties are stated at amortised cost.

Loans and borrowings

Borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted on accrual basis and are added to the carrying value of the instruments to the extent that they are not settled in the year in which they arise.

Derecognition of financial liabilities

The Entity derecognises financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

4 Significant accounting policies (continued)

4.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises of costs of purchase, and where applicable cost of conversion and other costs that has been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs of raw materials and packing materials are determined on weighted average basis. Cost of finished goods include an appropriate allocation of overheads comprising of materials, labour and related expenses.

4.14 Provisions

Provisions are recognised when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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, a 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.

4.15 Revenue recognition

Revenue from the sale of goods in normal course of business is recognised at a point in time when the performance obligation is satisfied and is based on the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which the Entity expects to be entitled in exchange for transferring promised goods or services to the customer.

The consideration expected by the Entity may include fixed or variable amounts which can be impacted by sales returns, trade discounts and volume rebates. Revenue for the sale of goods is recognized when control of the asset is transferred to the buyer and only when it is highly probable that a significant reversal of revenue will not occur when uncertainties related to a variable consideration are resolved.

Transfer of control varies depending on the individual terms of the contract of sale. Revenue from transactions that have distinct goods or services are accounted for separately based on their stand-alone selling prices. Revenue is recorded net of value added tax (VAT). A variable consideration is recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For products for which a right of return exists during a defined period, revenue recognition is determined based on the historical pattern of actual returns, or in cases where such information is not available, revenue recognition is postponed until the return period has lapsed.

4 Significant accounting policies (continued)

4.16 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in policy notes, the management 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.

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Critical judgements in applying accounting policies

In the process of applying the Entity's accounting policies, which are described above, and due to the nature of operations, management makes the following judgement that has the most significant effect on the amounts recognised in the financial statements.

Determining the timing of satisfaction of performance obligations - revenue recognition

In making their judgement, the Entity considers the detailed criteria for the recognition of revenue set out in IFRS 15, and in particular, whether the Entity has transferred control of the goods to the customer. The management is satisfied that control has been transferred and that recognition of revenue in the current year is appropriate, in conjunction with the recognition of an appropriate warranty provision as applicable.

Business model assessment - classification and measurement of financial statements

Classification and measurement of financial assets depends on the results of business model test. The Entity determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

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.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives, which are based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

Allowance for doubtful debts

Allowances for doubtful debts are determined using a combination of factors to ensure that trade receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customer's financial conditions and collateral requirements from customers in certain circumstances. In addition, specific allowances for individual accounts are recorded when the Entity becomes aware of the customer's inability to meet its financial obligations.

4 Significant accounting policies (continued)

4.16 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Operating lease expenses

Lease payments under operating lease have been recognised as an expense on a straight-line basis over the lease rental period after considering the rent escalation as per the rent agreements. The rent charge could significantly change in subsequent accounting periods should the lease contract not be renewed or change in lease terms of the contract.

Net realisable value of inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required, are made for estimated obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the relevant notes to the financial statements.

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5 Property, plant and equipment

	<u>Building</u>	<u>Plant and machinery</u>	<u>Tools and lab equipments</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Office equipments</u>	<u>Total</u>
Cost							
As at March 31, 2017	23,602,392	6,529,165	439,678	686,990	681,238	497,898	32,437,361
Addition during the year	35,000	339,004	-	252,020	7,580	2,654	636,258
Disposal during the year	-	(150,000)	-	(87,500)	-	-	(237,500)
Balance as at March 31, 2018	23,637,392	6,718,169	439,678	851,510	688,818	500,552	32,836,119
Addition during the year	-	27,923	11,296	99,800	1,000	11,180	151,199
Disposal during the year	-	-	-	(111,430)	-	-	(111,430)
Balance as at March 31, 2019	23,637,392	6,746,092	450,974	839,880	689,818	511,732	32,875,888
Accumulated depreciation							
As at March 31, 2017	2,524,427	2,516,562	345,107	490,943	360,663	283,357	6,521,059
Charge for the year	1,180,132	490,295	23,609	126,788	91,625	88,153	2,000,602
Eliminated on disposal during the year	-	(150,000)	-	(87,500)	-	-	(237,500)
Balance as at March 31, 2018	3,704,559	2,856,857	368,716	530,231	452,288	371,510	8,284,161
Charge for the year	1,180,136	535,412	24,531	159,881	92,600	88,904	2,081,464
Eliminated on disposal during the year	-	-	-	(106,155)	-	-	(106,155)
Balance as at March 31, 2019	4,884,695	3,392,269	393,247	583,957	544,888	460,414	10,259,470
Carrying value as at March 31, 2019	18,752,697	3,353,823	57,727	255,923	144,930	51,318	22,616,418
Carrying value as at March 31, 2018	19,932,833	3,861,312	70,962	321,279	236,530	129,042	24,551,958

Note:

- Buildings, plant and machinery are erected on Plot No. 597 - 425 leased from M/s. Dubai Investments Park Development Company L.L.C. located at Dubai Investments Park, Dubai - United Arab Emirates (note 28).

For the year ended March 31,	
2019	2018
AED	AED
559,943	513,904
1,521,521	1,486,698
2,081,464	2,000,602

Notes

- Cost of revenue 19
- Administrative expenses 22

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	<u>2019</u>	<u>2018</u>
6 Intangible asset		
Trademark	<u>979,050</u>	<u>979,050</u>

Trademark represents the cost of acquisition of a brand giving exclusive rights to market the product. The trademark has infinite useful life, hence is not being amortized. The management estimates that no impairment is required as at the reporting date.

7 Inventories		
Raw materials	1,880,870	1,399,768
Packing materials	461,454	323,208
Spare parts	87,643	177,621
Goods held for trading	3,982,539	4,401,884
Finished goods	<u>790,110</u>	<u>652,371</u>
	<u>7,202,616</u>	<u>6,954,852</u>
Goods-in-transit	1,482,020	2,068,580
Less: Allowances for slow moving inventories	<u>(1,402,144)</u>	<u>(1,139,468)</u>
	<u>7,282,492</u>	<u>7,883,964</u>

Allowance for slow moving inventories

The movements in the allowance for slow moving inventories as at reporting date are as follows:

Balance at the beginning of the year	1,139,468	851,663
Charge during the year (note 22)	<u>262,676</u>	<u>287,805</u>
Balance at the end of the year	<u>1,402,144</u>	<u>1,139,468</u>

The above inventories (except for goods-in-transit) are held in warehouse in Dubai - United Arab Emirates.

8 Trade receivables		
Trade receivables	21,658,873	19,836,240
Less: Impairment of trade receivables	<u>(2,840,077)</u>	<u>(2,179,514)</u>
	<u>18,818,796</u>	<u>17,656,726</u>

The average credit period for the trade receivables is 90/120 days (2018: 90/120 days). Provisions are based on the estimated irrecoverable amounts determined by reference to the past default experience.

Of the trade receivables as at March 31, 2019, there are 5 customers (2018: 5 customers) representing 19% (2018: 23%) of the total receivables.

Impairment of trade receivables

The Entity applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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8 Trade receivables (continued)

Impairment of trade receivables (continued)

As at March 31, 2019							
Days due							
	Not due	1 -90 days	91 -180 days	181 - 270 days	271 - 360 days	Above 361 days	Total
Expected credit loss rate	0.7%	2.3%	36.8%	50.1%	100.0%	99.9%	13.1%
Estimated total gross carrying amount at default	16,049,322	2,557,340	470,861	171,209	116,321	2,293,820	21,658,873
Lifetime expected credit loss	(114,264)	(59,098)	(173,490)	(85,718)	(116,321)	(2,291,186)	(2,840,077)
Net carrying amount	15,935,058	2,498,242	297,371	85,491	-	2,634	18,818,796
						2019	2018

Ageing of trade receivables that are not past due:

1 - 90 days	16,049,322	14,047,251
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Ageing of trade receivables that are past due:

1 - 90 days	2,557,340	3,054,330
91 - 180 days	470,861	458,290
181 - 270 days	171,209	212,540
271 - 360 days	116,321	604,789
361 days and above	2,293,820	1,459,040
	21,658,873	19,836,240

The movements in the impairment of trade receivables as at the reporting date are as follows:

Balance at the beginning of the year	2,179,514	1,252,411
Charge during the year (note 22)	660,563	927,103
Balance at the end of the year	2,840,077	2,179,514

In determining the recoverability of trade receivables, the Entity considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Accordingly, the management believes that there is no further credit allowance required for doubtful debts.

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	<u>2019</u>	<u>2018</u>
8 Trade receivables (continued)		
<i>Geographical analysis:</i>		
The geographical analysis of trade receivables are as follows:		
Within U.A.E.	19,597,439	17,810,018
Within other G.C.C. countries	2,002,304	1,937,097
Others	59,130	89,125
	<u>21,658,873</u>	<u>19,836,240</u>
9 Advances, deposits and other receivables		
Prepayments	798,767	783,910
Deposits	477,231	458,331
Advances to suppliers	122,836	-
Staff loans and advances	30,511	42,831
	<u>1,429,345</u>	<u>1,285,072</u>
10 Cash balances		
Cash in hand	<u>5,996</u>	<u>18,010</u>
11 Share capital		
The authorized, issued and paid up capital of the Entity is AED 300,000 divided into 300 shares of AED 1,000 each fully paid. M/s. Pidilite Industries Limited - India is the ultimate owner of the Entity.		
	<u>2019</u>	<u>2018</u>
12 Accumulated (losses)		
Balance at the beginning of the year	(62,793,690)	(54,406,223)
(Loss) for the year	(6,618,974)	(8,387,467)
Balance at the end of the year	<u>(69,412,664)</u>	<u>(62,793,690)</u>
13 Shareholder's loan		
Balance at the beginning of the year	83,739,469	74,538,969
Net movements during the year	2,778,000	9,200,500
Balance at the end of the year	<u>86,517,469</u>	<u>83,739,469</u>
The above loan is availed from M/s. Pidilite Middle East Limited. This loan is unsecured, interest free, without any fixed maturity period and is being used for the operations of the Entity as a long term source of finance.		
14 Bank borrowings		
Bank overdrafts	<u>16,912,168</u>	<u>15,692,352</u>
The above borrowings are secured by corporate guarantee of the ultimate owner.		
15 Employees' end of service benefits		
Balance at the beginning of the year	1,310,130	1,218,111
Add: Charge for the year	348,858	300,111
Less: Paid during the year	(47,995)	(208,092)
Balance at the end of the year	<u>1,610,993</u>	<u>1,310,130</u>

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15 Employees' end of service benefits (continued)

Amounts required to cover end of service indemnity at the statement of financial position date are computed pursuant to the applicable Labour Law based on the employees' accumulated period of service and current basic remuneration at the end of reporting period.

	2019	2018
16 Trade and other payables		
Trade payables	4,211,165	3,587,070
Advances from customers	18,146	-
Provisions and accruals	921,812	818,624
VAT payable - net	329,043	432,764
	<u>5,480,166</u>	<u>4,838,458</u>

17 Related party transactions

The Entity enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24, Related Party Disclosures. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel.

The management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as other charges, if applicable.

	2019	2018
a) Due from a related party		
<i>Entity under common management and control</i>		
M/s. Plus Call Technical Services LLC - U.A.E.	143,073	143,073
Less: Impairment	<u>(143,073)</u>	<u>(143,073)</u>
	<u>-</u>	<u>-</u>

Impairment of amounts due from a related party

The movement in the impairment allowance for due from a related party as at the reporting date is as follows:

	2019	2018
Balance at the beginning of the year	143,073	-
Charge during the year (note 22)	-	143,073
Balance at the end of the year	<u>143,073</u>	<u>143,073</u>

b) Due to related parties

Entities under common management and control

M/s. Pidilite Industries Limited - India	9,653,405	9,153,997
M/s. Pidilite Industries Trading - Egypt	70,560	134,064
	<u>9,723,965</u>	<u>9,288,061</u>

c) Transactions with related parties

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

	For the year ended March 31,	
	2019	2018
<u>Revenue</u>		
M/s. Plus Call Technical Services LLC - U.A.E.	-	107,285
M/s. Building System Solution Trading WLL - Qatar	-	111,046
	<u>-</u>	<u>218,331</u>

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17 Related party transactions (continued)

c) Transactions with related parties (continued)

	For the year ended March 31,	
	2019	2018
<u>Purchases</u>		
M/s. Pidilite Industries Limited - India	25,078,361	27,358,451
M/s. Pidilite Industries Trading - Egypt	208,152	201,096
	<u>25,286,513</u>	<u>27,559,547</u>
<u>Royalty expenses</u>		
M/s. Pidilite Industries Limited - India	433,633	325,689
<u>Administrative expenses charged by related parties</u>		
M/s. Pidilite Industries Limited - India	373,621	219,316
M/s. Pidilite Industries Limited - U.A.E.	721,245	-
	<u>1,094,866</u>	<u>219,316</u>
<u>Other expenses charged to a related party</u>		
M/s. Pidilite Industries Limited - U.A.E.	4,330,887	2,862,338
	<u>20,000</u>	<u>20,000</u>
	For the year ended March 31,	
	2019	2018
18 Revenue		
Revenue from contracts with customers	<u>52,244,696</u>	<u>47,112,088</u>
18.1 Disaggregated revenue information		
Set out below is the disaggregation of the Entity's revenue from contracts with customers.		
<u>Segments</u>		
Trading	37,610,688	34,828,370
Manufacturing	14,634,008	12,283,718
Total revenue from contracts with customers	<u>52,244,696</u>	<u>47,112,088</u>
The Entity has two reporting segments trading and manufacturing. The Entity sells adhesive materials through trading segment. The Entity manufactures and sells construction chemicals through manufacturing segment.		
<u>Geographical markets</u>		
Within U.A.E.	49,760,678	44,424,580
Within other G.C.C. countries	2,065,130	2,288,792
Others	418,888	398,716
	<u>52,244,696</u>	<u>47,112,088</u>
Timing of revenue recognition		
Revenue recognised at a point in time	<u>52,244,696</u>	<u>47,112,088</u>
Total revenue from contracts with customers	<u>52,244,696</u>	<u>47,112,088</u>

18 Revenue (continued)

18.2 Performance obligations

Information about the Entity's performance obligations are summarized below:

Selling products

The Entity sells a range of adhesives and construction chemicals in the market. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the customer, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales agreement and terms.

	For the year ended March 31,	
	2019	2018
19 Cost of revenue		
Cost of revenue : Trading	33,341,412	31,316,496
: Manufacturing	12,357,477	10,794,682
	<u>45,698,889</u>	<u>42,111,178</u>
<u>- Cost of revenue : Trading</u>		
Goods held for trading at the beginning of the year	4,401,884	3,080,354
Purchases	32,922,067	32,638,026
Goods held for trading at the end of the year (note 7)	<u>(3,982,539)</u>	<u>(4,401,884)</u>
	<u>33,341,412</u>	<u>31,316,496</u>
<u>- Cost of revenue : Manufacturing</u>		
Raw materials and packing materials at the beginning of the year	1,722,976	1,767,567
Purchases	8,829,743	6,423,671
Subcontracting expenses	1,302,665	1,076,195
Salaries and wages	1,767,563	1,651,696
Other direct expenses	654,650	695,466
Depreciation on property, plant and equipment (note 5)	559,943	513,904
Raw and packing materials at the end of the year (note 7)	<u>(2,342,324)</u>	<u>(1,722,976)</u>
	12,495,216	10,405,523
Finished goods at beginning of the year	652,371	1,041,530
Finished goods at the end of the year (note 7)	<u>(790,110)</u>	<u>(652,371)</u>
	<u>12,357,477</u>	<u>10,794,682</u>
20 Other income		
Gain on sale of property, plant and equipment	34,725	19,999
Sale of scrap	22,789	4,868
Foreign currency exchange gain	18,933	-
Others	52	-
	<u>76,499</u>	<u>24,867</u>

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	For the year ended March 31,	
	2019	2018
21 Selling and distribution expenses		
Salaries and benefits	1,087,737	1,449,002
Advertisement and business promotion	795,425	657,059
Royalty expenses	433,633	325,689
Distribution expenses	1,976,583	1,056,607
Others	68,666	43,024
	4,362,044	3,531,381
22 Administrative expenses		
Salaries and related benefits	2,588,410	3,143,322
Rent	590,555	531,105
Legal, professional and related expenses	1,433,560	1,155,430
Vehicle running and maintenance	157,981	163,299
Telephone and communication	142,127	162,784
Utilities	111,508	100,351
Repairs and maintenance	101,811	111,602
Printing and stationery	71,965	53,545
Security service charges	96,000	96,000
Bad debts written off	-	637,749
Travelling	72,133	62,025
Depreciation on property, plant and equipment (note 5)	1,521,521	1,486,698
Allowances for slow moving inventories (note 7)	262,676	287,805
Impairment of trade receivables (note 8)	660,563	927,103
Impairment of amounts due from a related party (note 17)	-	143,073
Bank charges	379,025	245,529
Others	63,521	65,447
	8,253,356	9,372,867
23 Finance costs		
Bank interest	625,880	508,996
	625,880	508,996
24 Financial instruments		
a) <i>Significant accounting policies</i>		

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 4 to the financial statements.

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24 Financial instruments (continued)

b) *Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis.*

	As at March 31,		As at March 31,	
	2019	2018	2019	2018
	Carrying amount		Fair value	
<i>Financial assets</i>				
Trade receivables	18,818,796	17,656,726	18,818,796	17,656,726
Deposits and other receivables	507,742	501,162	507,742	501,162
Cash balances	5,996	18,010	5,996	18,010
	<u>19,332,534</u>	<u>18,175,898</u>	<u>19,332,534</u>	<u>18,175,898</u>
<i>Financial liabilities</i>				
Bank borrowings	16,912,168	15,692,352	16,912,168	15,692,352
Due to related parties	9,723,965	9,288,061	9,723,965	9,288,061
Trade and other payables	5,462,020	4,838,458	5,462,020	4,838,458
	<u>32,098,153</u>	<u>29,818,871</u>	<u>32,098,153</u>	<u>29,818,871</u>

Financial instruments comprises of financial assets and financial liabilities.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties.

Financial assets consist of trade receivables, deposits and other receivables and cash balances. Financial liabilities consist of trade and other payables, bank borrowings and due to related parties.

As at the reporting date, financial assets and financial liabilities approximates their carrying values.

25 Financial risk management objectives

The Entity management set out the Entity's overall business strategies and its risk management philosophy. The Entity's overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Entity. The Entity policies include financial risk management policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), liquidity risk and credit risk. Periodic reviews are undertaken to ensure that the Entity's policy guidelines are complied with.

There has been no change to the Entity's exposure to these financial risks or the manner in which it manages and measures the risk.

The Entity is exposed to the following risks related to financial instruments. The Entity has not framed formal risk management policies, however, the risks are monitored by management on a continuous basis. The Entity does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

a) *Foreign currency risk management*

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

The carrying amounts of the Entity's monetary assets and liabilities denominated in foreign currencies other than in Arab Emirates Dirham or currencies to which the Dirham is fixed are as follows:

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25 Financial risk management objectives (continued)

a) *Foreign currency risk management (continued)*

	Equivalent to AED			
	Liabilities		Assets	
	2019	2018	2019	2018
Euro	242,956	-	-	-

The following table details the Entity's sensitivity to a 2% increase or decrease in the functional currency against the relevant foreign currencies. 2% is the sensitivity rate used for reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% change in foreign currency rates. A positive or negative number below indicates an increase or decrease in profit or loss where the functional currency weakens 2% against the relevant currency. For a 2% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

	Profit or loss	
	2019	2018
	Euro	(4,859)

b) *Interest rate risk management*

The Entity's exposure to the risk of changes in market interest rates relates primarily to the Entity's borrowings with floating interest rates. The Entity's policy is to manage its interest cost using a mix of fixed and variable rate debts. Interest on financial instruments having floating rates is re-priced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used for reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the Entity's profit for the year then ended would (decrease)/increase by AED 84,561 (2018: (decrease)/increase by AED 78,462).

c) *Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and equity from shareholders through their current accounts or loans.

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25 Financial risk management objectives (continued)

c) *Liquidity risk management (continued)*

Liquidity and interest risk table:

The table below summarises the maturity profile of the Entity's financial assets and financial liabilities. The contractual maturities of the financial assets and financial liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the financial position date based on contractual repayment arrangements were as follows:

Particulars	Interest bearing			Non Interest bearing			Total
	On demand or less than 3 months	Within 1 year	More than 1 year	On demand or less than 3 months	Within 1 year	More than 1 year	
As at March 31, 2019							
Financial assets							
Trade receivables	-	-	-	-	18,818,796	-	18,818,796
Deposits and other receivables	-	-	-	-	507,742	-	507,742
Cash balances	-	-	-	5,996	-	-	5,996
	-	-	-	5,996	19,326,538	-	19,332,534
Financial liabilities							
Bank borrowings	16,912,168	-	-	-	-	-	16,912,168
Due to related parties	-	-	-	-	9,723,965	-	9,723,965
Trade and other payables	-	-	-	-	5,462,020	-	5,462,020
	16,912,168	-	-	-	15,185,985	-	32,098,153
As at March 31, 2018							
Financial assets							
Trade receivables	-	-	-	-	17,656,726	-	17,656,726
Deposits and other receivables	-	-	-	-	501,162	-	501,162
Cash balances	-	-	-	18,010	-	-	18,010
	-	-	-	18,010	18,157,888	-	18,175,898
Financial liabilities							
Bank borrowings	15,692,352	-	-	-	-	-	15,692,352
Due to related parties	-	-	-	-	9,288,061	-	9,288,061
Trade and other payables	-	-	-	-	4,838,458	-	4,838,458
	15,692,352	-	-	-	14,126,519	-	29,818,871

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25 Financial risk management objectives (continued)

d) *Credit risk management*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties. The Entity's exposure are continuously monitored and their credit exposure is reviewed by the management regularly.

Trade receivables consist of a few number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. Further details of credit risks on trade and other receivables are discussed in notes 8 and 9 to the financial statements.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amounts of the financial assets recorded in the financial statements, which is net of impairment losses, represents the Entity's maximum exposure to credit risks.

26 Capital risk management

The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Entity's overall strategy remains unchanged from prior year.

The Entity monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is equivalent to total equity as shown in the statement of financial position.

Gearing ratio

The gearing ratio at the year end was as follows:

	<u>As at March 31,</u>	
	<u>2019</u>	<u>2018</u>
Debt (i)	<u>16,912,168</u>	<u>15,692,352</u>
Cash and cash equivalents	<u>(5,996)</u>	<u>(18,010)</u>
Net debt	<u>16,906,172</u>	<u>15,674,342</u>
Equity (ii)	<u>17,404,805</u>	<u>21,245,779</u>
Net debt to equity ratio	<u>1:1</u>	<u>3:4</u>

i) Debt is defined as bank borrowings as detailed in note 14.

ii) Equity include all capital and accumulated (losses) of the Entity including shareholder's loan.

27 Contingent liabilities

	<u>As at March 31,</u>	
	<u>2019</u>	<u>2018</u>
Letter of credit	<u>88,276</u>	<u>-</u>

Except for the above and ongoing business obligations which are under normal course of business, there has been no other known contingent liability on the Entity's financial statements as of the reporting date.

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28 Operating lease commitments

a) Operating lease commitments

Operating lease relates to office, plant and warehouse premises at Plot No. 597 - 425 leased from M/s. Dubai Investments Park Development Company L.L.C. located at Dubai Investments Park, Dubai - United Arab Emirates (note 5). The Entity does not have an option to purchase the leased asset at the expiry of lease period.

	<u>As at March 31,</u>	
	<u>2019</u>	<u>2018</u>
Operating lease commitments:		
Not longer than 1 year	<u>568,680</u>	<u>560,556</u>
Longer than 1 year and not longer than 5 years	<u>2,274,720</u>	<u>2,274,720</u>
Longer than 5 years	<u>6,918,940</u>	<u>7,487,620</u>

Except for the above and ongoing business obligations which are under normal course of business, there has been no other known commitment on the Entity's financial statements as of the reporting date.

29 Commitments

Except for the ongoing business commitments which are under normal course of business, there has been no other known commitment on Entity's financial statements as of reporting date.

30 Reclassification

During the year, the management has done certain reclassifications on the statement of profit or loss for better presentation.

	<u>2018</u>		<u>2018</u>
	<u>Previously reported</u>	<u>Reclassification</u>	<u>Currently reported</u>
Reclassifications in cost of revenue	42,154,202	(43,024)	42,111,178
Reclassifications in selling and distribution expenses	3,488,357	43,024	3,531,381
Reclassifications in administrative expenses	9,127,338	245,529	9,372,867
Reclassifications in finance costs	754,525	(245,529)	508,996