

**Pidilite MEA Chemicals L.L.C.
Financial Statements
March 31, 2017**



Independent Auditor's Report

The Shareholders of Pidilite MEA Chemicals L.L.C.

Opinion

We have audited the financial statements of Pidilite MEA Chemicals L.L.C., ("the Company"), which comprise of the statement of financial position as at March 31, 2017, 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 and other explanatory notes.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of Pidilite MEA Chemicals L.L.C. as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 Going Concern Assumption in the financial statements, which indicates that the Company incurred a net loss of AED 12,469,018 during the year ended March 31, 2017 and, as of that date, the Company's retained losses exceeded its share capital by AED 54,106,223 and the shareholders loan to the Company is AED 74,538,969. The shareholders have undertaken to provide continued financial support to the Company. The financial statements of the Company are prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

In addition to the matter described in the Material Uncertainty Related to Going Concern Section we have determined the matters described below to be the key audit matters to be communicated in our report.

The Company's Financial position at March 31, 2017 indicate that it does not have adequate assets to be able to discharge its liabilities. The current assets comprising of monetary assets is AED 12,189,283 as against the current liabilities comprising of monetary liabilities which include the borrowings in the form of bank overdraft is AED 15,998,709 and trade accounts and other payable amounting to AED 11,257,437. However the borrowings from the bank are secured by corporate guarantee issued by the Ultimate Parent Company Pidilite Industries Ltd. and the shareholders loan to the company stands at AED 74,538,969. The Management believe that with the continued financial support from the shareholders and the ultimate Parent, the Company will be able to manage these risks.

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 UAE Commercial Companies Law of 1984 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, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the 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 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 risks 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, misrepresentation or override of internal control.

Obtain an understanding of internal controls 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 controls.

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

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 controls that we identify during our audit.

We also provide 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
Chartered Accountants
Dubai
May 04, 2017



Pidilite MEA Chemicals L.L.C.
 Statement of Financial Position
 As at March 31, 2017

| (Figures in AED) | Note | 2017 | 2016 |
|--|------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Bank balances and cash | 4 | 11,783 | 39,505 |
| Trade accounts receivable | 5 | 12,189,283 | 13,350,324 |
| Inventories | 6 | 6,822,807 | 7,525,291 |
| Other receivable and prepayments | 7 | 2,987,778 | 1,185,574 |
| Total Current Assets | | 22,011,651 | 22,100,694 |
| Non-Current Assets | | | |
| Property, plant and equipment | 8 | 25,916,302 | 27,575,296 |
| Intangible assets | 9 | 979,050 | 979,050 |
| Total Non-Current Assets | | 26,895,352 | 28,554,346 |
| Total Assets | | 48,907,003 | 50,655,040 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Borrowings | 10 | 15,998,709 | 10,322,550 |
| Trade accounts and other payable | 11 | 11,257,437 | 12,887,392 |
| Total Current Liabilities | | 27,256,146 | 23,209,942 |
| Non-Current Liabilities | | | |
| Employees' end of service benefits | 12 | 1,218,111 | 997,334 |
| Total Non-Current Liabilities | | 1,218,111 | 997,334 |
| Equity | | | |
| Share capital | 13 | 300,000 | 300,000 |
| Retained losses | | (54,406,223) | (41,937,205) |
| Shareholder's loan | 14 | 74,538,969 | 68,084,969 |
| Total Equity Attributable to the Shareholders | | 20,432,746 | 26,447,764 |
| Total Liabilities and Equity | | 48,907,003 | 50,655,040 |

These financial statements were approved by the Board of Directors on May 04, 2017 and signed on their behalf by:


 Mr. Sohail Badar
 Director

Pidilite MEA Chemicals L.L.C.

Statement of Comprehensive Income
Year Ended March 31, 2017

| (Figures in AED) | Note | 2017 | 2016 |
|--|------|----------------------------|---------------------------|
| Sales | 16 | 41,889,988 | 39,357,905 |
| Cost of goods sold | 17 | <u>(38,889,461)</u> | <u>(36,131,665)</u> |
| Gross profit | | 3,000,527 | 3,226,240 |
| Other income | 18 | 92,829 | 829,494 |
| Selling, general and administration expenses | 19 | <u>(14,961,418)</u> | <u>(12,936,287)</u> |
| Finance costs | 20 | <u>(600,956)</u> | <u>(332,937)</u> |
| Loss for the year | | <u>(12,469,018)</u> | <u>(9,213,490)</u> |

Pidilite MEA Chemicals L.L.C.

Statement of Changes in Equity
Year Ended March 31, 2017

| (Figures in AED) | Note | Share Capital | Retained Losses | Shareholder's Loan | Total |
|---------------------------------------|------|----------------|---------------------|--------------------|-------------------|
| <i>Year From Inception Activities</i> | | | | | |
| As at April 01, 2015 | | 300,000 | (32,723,715) | 62,144,219 | 29,720,504 |
| Loss for the year | | Nil | (9,213,490) | Nil | (9,213,490) |
| Net movements during the year | | Nil | Nil | 5,940,750 | 5,940,750 |
| As at March 31, 2016 | | 300,000 | (41,937,205) | 68,084,969 | 26,447,764 |
| Loss for the year | | Nil | (12,469,018) | Nil | (12,469,018) |
| Net movements during the year | | Nil | Nil | 6,454,000 | 6,454,000 |
| As at March 31, 2017 | | 300,000 | (54,406,223) | 74,538,969 | 20,432,746 |



Pidilite MEA Chemicals L.L.C.

Statement of Cash Flows

Year Ended March 31, 2017

| (Figures in AED) | 2017 | 2016 |
|--|---------------|---------------|
| Cash Flow from Operating Activities | | |
| Loss for the year | (12,469,018) | (9,213,490) |
| <u>Adjustments for:</u> | | |
| Depreciation of property, plant and equipment | 1,941,394 | 1,693,014 |
| Amortisation of intangible asset | Nil | 109,800 |
| Provision for slow moving stock | 743,293 | 2,418 |
| Profit on sale of property, plant and equipment | (74,965) | Nil |
| Provision for employees' end of services benefits | 311,157 | 348,059 |
| Provision for doubtful debts written back | Nil | (656,169) |
| Provision for doubtful debts | 680,333 | 65,153 |
| <u>Changes in operating assets and liabilities :</u> | | |
| Increase in inventories | (40,809) | (629,938) |
| Increase in trade accounts and other receivable | (1,321,496) | (1,044,831) |
| Decrease in trade accounts and other payable | (1,629,955) | (142,938) |
| Payment of employees' end of service benefits | (90,380) | (23,833) |
| Net cash used in operating activities | (11,950,446) | (9,492,755) |
| Cash Flow from Investing Activities | | |
| Purchase of property, plant and equipment | (282,404) | (4,724,680) |
| Proceeds from sale of property, plant and equipment | 74,969 | Nil |
| Net cash used in investing activities | (207,435) | (4,724,680) |
| Cash Flow from Financing Activities | | |
| Shareholder's loan | 6,454,000 | 5,940,750 |
| Net increase in borrowings | 5,676,159 | 6,763,065 |
| Net cash generated from financing activities | 12,130,159 | 12,703,815 |
| Net change in cash and cash equivalents | (27,722) | (1,513,620) |
| Cash and cash equivalents at beginning of the year | 39,505 | 1,553,125 |
| Cash and cash equivalents at end of the year | <u>11,783</u> | <u>39,505</u> |

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1 Legal Status, Management and Business Activity

Pidilite MEA Chemicals L.L.C. (Formerly Jupiter Chemicals L.L.C.) is a Limited Liability Company formed pursuant to the provisions of Article 218 of UAE Commercial Companies Law No.8 of 1984 as amended and registered with Department of Economic Development under industrial license number 570849 in the Emirate of Dubai.

The registered address of the Company is P.O. Box 120657 Dubai, United Arab Emirates.

The Company is managed by its Managing Director, Mr. Sohail Badar.

The Company is licensed to manufacture and trade in construction chemicals.

2 Basis of Preparation of Financial Statements

These financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards for Small and Medium-sized Entities issued by International Accounting Standards Board. They are presented in Arab Emirate Dirhams, currency unit of United Arab Emirates. The presentation of financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities requires the determination and consistent application of accounting policies to transactions and events. Significant accounting policies, adopted and applied consistently in dealing with items that are considered material in relation to these financial statements, are set below.

The financial statements have been prepared under the historical cost convention basis.

The preparation of financial statements in conformity with International Financial Reporting Standards for Small and Medium-sized Entities requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and reasonable under the

Estimates and the 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 revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of accounting policies that have the most significant effect on the amounts recognised in the financial statements, and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as explained in Note 3.



2 Basis of Preparation of Financial Statements (Continued)

Going Concern Assumption

The Company has reported a net loss of AED 12,469,018 for the year ended March 31,2017. The retained losses has exceeded its share capital by AED 54,106,223 as at March 31, 2017. The shareholders loan to the Company as at March 31,2017 is AED 74,538,969. The financial statements are prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The validity of this assumption depends upon the continued financial support to the Company by its shareholders. The financial statements do not include any adjustment that should result from a failure to obtain such continued financial support. The Shareholders have undertaken to provide continued financial support to the Company to meet its capital requirements. The Management has no intention to discontinue with the operations of the company. The assets and liabilities are recorded on the basis that the Company will be able to realise its assets and discharge its liabilities in the normal course of business. This position does not impair the financial position of the company.

3 Summary of Significant Accounting Policies

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of sales returns, rebates and discounts.

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 has been met for the Company activities.

Sale of goods are recognised when the Company sells a product to the customer as control passes to the customer on the day the transaction takes place, in terms of the product being delivered to the customer or the customer accepts the products in accordance with the terms of sale.

Property, Plant and Equipment

Property, plant and equipment, is stated at historical costs less accumulated depreciation and any accumulated impairment losses. Historical costs includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

The cost of replacing or addition to an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

3 Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

Depreciation is charged to write off the cost of assets using the straight line method as follows:

| | |
|-------------------------|----------|
| Office building | 20 years |
| Plant and machinery | 10 years |
| Vehicles | 4 years |
| Furniture and fixtures | 5 years |
| Tools and lab equipment | 5 years |
| Office equipments | 5 years |

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

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 recognised as profit or loss in the statement of income.

During the year under review, the Management has revised the estimate for useful life of Plant and Machinery from 5 years to 10 years. This revision has been applied prospectively.

Intangible Assets

Trademarks relate to the acquisition of the brand giving exclusive rights to market the product. During the year, the Management have changed the policy of valuation of trademarks to fair valuation. Any changes in the fair value are recognised in the statement of comprehensive income.

Previously trademarks were measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation was calculated over the estimated useful life of 10 years using straight line method.

Inventories

Inventories are measured at lower of cost and net realisable value. The cost of raw materials and packing material are based on the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cost of finished goods include an appropriate allocation of overheads comprising of materials, labour and expenses directly attributable to it.

Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

At each reporting date, inventories are assessed for impairment and the net value is reflected in the financial statements.

Goods in transits are valued at cost and comprise of the invoiced valued of goods.

3 Summary of Significant Accounting Policies (Continued)

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 trade accounts and other receivable, due from associates trade accounts and other payable, and short term bank borrowings.

Trade Accounts and Other Receivable

Trade accounts receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

The Management undertakes a periodic review of amounts recoverable from trade accounts and other receivable, and determines recoverability based on various factors such as ageing of receivable, payment history, collateral available and other knowledge about the receivable.

Provision for bad and doubtful debts represents estimates of ultimate unrealizable debts. The estimates are judgmental and are based on case based evaluation by the management.

Provisions created during the year are reflected in the operating results of the year. Debts which are recognised as unrealizable are written off during the year.

Cash and Cash Equivalents

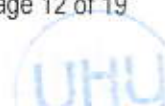
Cash and cash equivalents comprise of cash on hand and banks accounts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade Accounts and Other Payable

Trade accounts and other payable are stated at nominal amounts payable for goods or services rendered.

Borrowings

Borrowings are recognised at the transaction price, including transaction costs. Interest expense is recognised on the basis of the effective interest method and is included in finance cost.



3 Summary of Significant Accounting Policies (Continued)

Borrowings (Continued)

Borrowings are classified as current liabilities unless the Company has unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

Statutory Reserve

Statutory reserve is created by appropriating 10% of the net profits of the Company for the year as required by Article 255 of the UAE Commercial Companies Law No. 8 of 1984 as amended, concerning commercial companies in the UAE. The Company may discontinue such annual transfers when the reserve totals 50% of its paid up share capital. The reserve is not available for distribution except as provided in the Federal Law.

In view of continuing losses in the Company, there are no appropriation of profits to the statutory reserve.

Employees' End of Service Benefits

Provision is made for the amounts payable under the UAE labour law applicable to the employees and is based on current basic remuneration and cumulative period of service at the balance sheet date.

Provision is made on the assumption that all employees were to leave as of the balance sheet date since this provides, in management's opinion, a reasonable estimate of the present value of terminal benefits.

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.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Foreign Currencies Translations

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

Pidilite MEA Chemicals L.L.C.
Notes to the Financial Statements
March 31, 2017

| (Figures in AED) | 2017 | 2016 |
|--|--------------------|-------------------|
| 4 Bank Balances and Cash | | |
| Cash in hand | 11,783 | 18,016 |
| Balance in local currency accounts | Nil | 21,489 |
| | <u>11,783</u> | <u>39,505</u> |
| 5 Trade Accounts Receivable | | |
| Outstanding for less than 6 months | 12,093,966 | 13,352,350 |
| Outstanding for more than 6 months | 1,347,728 | 757,922 |
| | 13,441,694 | 14,110,272 |
| Less: Allowance for doubtful debts | (1,252,411) | (759,948) |
| | <u>12,189,283</u> | <u>13,350,324</u> |
| Movement in allowance for doubtful debts is as under: | | |
| Balance at beginning of the year | (759,948) | (1,350,964) |
| Provision for the year | (680,333) | (65,153) |
| Utilised during the year | 187,870 | Nil |
| Written back during the year | Nil | 656,169 |
| Balance at end of the year | <u>(1,252,411)</u> | <u>(759,948)</u> |
| 6 Inventories | | |
| Raw material | 1,752,281 | 963,250 |
| Packing materials | 259,259 | 228,917 |
| Spare parts | 146,649 | Nil |
| Finished goods | 3,877,911 | 5,129,541 |
| Goods in transit | 1,638,370 | 1,311,953 |
| | 7,674,470 | 7,633,661 |
| Less: Allowance for slow moving inventories | (851,663) | (108,370) |
| | <u>6,822,807</u> | <u>7,525,291</u> |
| Movement in allowance for slow moving inventories is as under: | | |
| Balance at beginning of the year | (108,370) | (105,952) |
| Allowance for the year | (743,293) | (2,418) |
| Balance at end of the year | <u>(851,663)</u> | <u>(108,370)</u> |
| 7 Other Receivable and Prepayments | | |
| Staff advances | 37,397 | 39,532 |
| Prepaid expenses | 730,700 | 729,173 |
| Due from associate | 1,851,501 | 98,489 |
| Deposits | 368,180 | 318,380 |
| | <u>2,987,778</u> | <u>1,185,574</u> |

Pidilite MEA Chemicals L.L.C.
Notes to the Financial Statements
March 31, 2017

(Figures in AED)

8 Property, Plant and Equipment

| | Office Building | Plant and Machinery | Vehicles | Furniture and Fixtures | Tools and Lab Equipments | Office Equipments | Total |
|---------------------------|-------------------|---------------------|----------------|------------------------|--------------------------|-------------------|-------------------|
| Original Cost : | | | | | | | |
| As at April 01, 2016 | 23,486,086 | 6,556,406 | 686,990 | 679,463 | 397,807 | 471,224 | 32,277,976 |
| Additions during the year | 116,306 | 95,778 | Nil | 1,775 | 41,871 | 26,674 | 282,404 |
| Disposals during the year | Nil | (123,019) | Nil | Nil | Nil | Nil | (123,019) |
| As at March 31, 2017 | <u>23,602,392</u> | <u>6,529,165</u> | <u>686,990</u> | <u>681,238</u> | <u>439,678</u> | <u>497,898</u> | <u>32,437,361</u> |
| Depreciation : | | | | | | | |
| As at April 01, 2016 | 1,348,295 | 2,185,468 | 383,569 | 268,403 | 320,394 | 196,551 | 4,702,680 |
| Charge for the year | 1,176,132 | 454,109 | 107,374 | 92,260 | 24,713 | 86,806 | 1,941,394 |
| Related to disposals | Nil | (123,015) | Nil | Nil | Nil | Nil | (123,015) |
| As at March 31, 2017 | <u>2,524,427</u> | <u>2,516,562</u> | <u>490,943</u> | <u>360,663</u> | <u>345,107</u> | <u>283,357</u> | <u>6,521,059</u> |
| Net Block : | | | | | | | |
| As at March 31, 2017 | <u>21,077,965</u> | <u>4,012,603</u> | <u>196,047</u> | <u>320,575</u> | <u>94,571</u> | <u>214,541</u> | <u>25,916,302</u> |
| As at March 31, 2016 | <u>22,137,791</u> | <u>4,370,938</u> | <u>303,421</u> | <u>411,060</u> | <u>77,413</u> | <u>274,673</u> | <u>27,575,296</u> |



Pidilite MEA Chemicals L.L.C.

Notes to the Financial Statements

March 31, 2017

8 Property, Plant and Equipment (Continued)

Effect on current year's profits and carrying amount of assets due to change in estimate of useful life of assets for depreciation:

The Management revised the estimates for useful lives of assets (refer significant accounting policy on Property, plant and equipment).

9 Intangible Assets

Trademarks

During the year, the Management has changed the policy from Cost- Amortisation to fair value method.

The fair value presented is based on the Management's estimate.

| (Figures in AED) | 2017 | 2016 |
|----------------------|-------------------|-------------------|
| 10 Borrowings | | |
| Bank overdraft | 15,998,709 | 10,322,550 |
| | <u>15,998,709</u> | <u>10,322,550</u> |

The above amount represents a borrowings with an interest rate of EIBOR + 2.2% ending March 31, 2017. Borrowings are secured against the corporate guarantee given by the ultimate parent, M/s Pidilite Industries Ltd.

11 Trade Accounts and Other Payable

| | | |
|-----------------------------------|-------------------|-------------------|
| Trade accounts payable | 10,483,614 | 11,567,636 |
| Leave salary and air fare | 557,935 | 407,388 |
| Creditors for capital expenditure | Nil | 383,775 |
| Accrued expenses | 215,888 | 528,593 |
| | <u>11,257,437</u> | <u>12,887,392</u> |

12 Employees' End of Service Benefits

| | | |
|--------------------------------------|------------------|----------------|
| Balance at the beginning of the year | 997,334 | 673,108 |
| Provision for the year | 311,157 | 348,059 |
| Paid during the year | (90,380) | (23,833) |
| | <u>1,218,111</u> | <u>997,334</u> |

13 Share Capital

| | | |
|------------------------------|----------------|----------------|
| 300 shares of AED 1,000 each | 300,000 | 300,000 |
| | <u>300,000</u> | <u>300,000</u> |

Pidilite MEA Chemicals L.L.C.

Notes to the Financial Statements

March 31, 2017

(Figures in AED) 2017 2016

14 Shareholder's Loan

| | | |
|------------------------------|-------------------|-------------------|
| Pidilite Middle East Limited | <u>74,538,969</u> | <u>68,084,969</u> |
| | <u>74,538,969</u> | <u>68,084,969</u> |

Shareholder's loan is an interest-free unsecured loan with no definite terms of repayment.

15 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. Significant transactions with related parties are as under:

| | | |
|---|------------|------------|
| Pidilite Industries Limited | | |
| Purchases | 25,195,723 | 26,339,926 |
| Royalty expenses | 243,347 | 190,542 |
| Other expense | 302,721 | 253,483 |
| Expenses paid on behalf of associates | 2,646,251 | 2,060,340 |
| Sale of fixed asset | 22,969 | Nil |
| Plus Call Technical Services LLC | | |
| Sales | 496,055 | 19,833 |
| Expenses paid on behalf of associates | Nil | 37,595 |
| Building Systems Solution Trading WLL | | |
| Sales | 1,317,555 | Nil |
| Expenses / advance paid on behalf of associates | 155,967 | 61,773 |
| Funding from shareholder | 6,454,000 | 5,940,750 |
| Director's sitting fee | 20,000 | 20,000 |

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

Related Party Classification

| | | |
|---|------------|------------|
| Due from associate (Note 7) | | |
| Pulvitec Brazil | 23,303 | 23,303 |
| Building System Solution Trading WLL | 1,535,295 | 61,773 |
| Plus Call Technical Services LLC | 292,903 | 13,413 |
| Trade accounts and other payable (Note 11) | | |
| Pidilite Industries Limited | 7,962,978 | 9,443,880 |
| Shareholder Shareholder's loan (Note 14) | 74,538,969 | 68,084,969 |

Pidilite MEA Chemicals L.L.C.

Notes to the Financial Statements

March 31, 2017

| (Figures in AED) | 2017 | 2016 |
|--|--------------------|--------------------|
| 16 Sales | | |
| <u>Manufacturing</u> | | |
| Local | 7,865,610 | 6,188,134 |
| Export | 568,932 | 1,706,444 |
| | <u>8,434,542</u> | <u>7,894,578</u> |
| <u>Trading</u> | | |
| Local | 33,455,054 | 31,462,991 |
| Export | 392 | 336 |
| | <u>33,455,446</u> | <u>31,463,327</u> |
| | <u>41,889,988</u> | <u>39,357,905</u> |
| 17 Cost of Goods Sold | | |
| Opening stock | 7,633,661 | 7,003,723 |
| Purchases | 35,570,227 | 34,149,362 |
| Direct costs | 3,360,043 | 2,612,241 |
| Less: Closing Stock | <u>(7,674,470)</u> | <u>(7,633,661)</u> |
| | <u>38,889,461</u> | <u>36,131,665</u> |
| 18 Other Income | | |
| Profit on sale of assets | 74,965 | Nil |
| Supplier balances written back | 80 | Nil |
| Interest income | Nil | 140,724 |
| Provision for doubtful debts written back | Nil | 656,169 |
| Sale of scrap | 17,784 | 32,601 |
| | <u>92,829</u> | <u>829,494</u> |
| 19 Selling, General and Administration Expenses | | |
| Employees' cost | 6,268,315 | 5,356,468 |
| Director's sitting fee | 20,000 | 20,000 |
| Rent | 576,697 | 487,695 |
| Legal and professional | 2,073,942 | 2,129,154 |
| Office expenses | 929,977 | 785,450 |
| Depreciation | 1,941,394 | 1,693,014 |
| Amortisation | Nil | 109,800 |
| Freight | 638,726 | 549,106 |
| Sales and marketing | 1,826,146 | 1,557,823 |
| Provision for doubtful debts | 680,333 | 65,153 |
| Miscellaneous | 5,888 | 182,624 |
| | <u>14,961,418</u> | <u>12,936,287</u> |

Pidilite MEA Chemicals L.L.C.
Notes to the Financial Statements
March 31, 2017

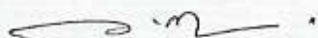
| (Figures in AED) | 2017 | 2016 |
|----------------------------------|----------------|----------------|
| 20 Finance Costs | | |
| Bank charges | 242,014 | 133,486 |
| Exchange loss | 8,674 | 1,230 |
| Interest on bank overdraft | 350,268 | 198,221 |
| | <u>600,956</u> | <u>332,937</u> |
| 21 Contingent Liabilities | | |
| Labour guarantees | 244,000 | 200,500 |
| | <u>244,000</u> | <u>200,500</u> |

Except for the above and ongoing purchase 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.

22 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 04, 2017 and signed on their behalf by:



Mr. Sohail Badar
Director