

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

Auditor's report and financial statements  
For the year ended March 31, 2021



Pidilite 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, 2021.

**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>2021</u>	<u>2020</u>
Revenue	54,447,850	56,766,224
Gross profit	8,002,349	7,860,105
Gross profit margin	14.7%	13.8%
Net (loss) for the year	(4,870,903)	(5,856,637)

**Role of the Director:**

The Director is the Entity's principal decision-making authority. The Director has the overall responsibility for leading and supervising the Entity for delivering sustainable shareholder value through his guidance and supervision of the Entity's business. The Director sets the strategies and policies of the Entity. He monitors performance of the Entity's business, guides and supervises its management.

**Going concern:**

The Entity has incurred a (loss) of AED 4,870,903 during the year and has accumulated (losses) of AED 80,140,204 as at the reporting date. The shareholder 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. UHY James Chartered Accountants, 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 applicable requirements, requires the Director to prepare the financial statements for each financial year which presents fairly in all material respects, the financial position of the Entity and its financial performance for the year then ended.

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**

**May 03, 2021**



Ref: JM/AR/2021/3125

**Independent auditor's report**

To,

The Shareholder

**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** (the "Entity") which comprise the statement of financial position as at March 31, 2021 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, 2021 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 4,870,903 during the year and has accumulated (losses) of AED 80,140,204 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 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.

The management is responsible for overseeing the Entity's financial reporting process.

## Independent auditor's report to the shareholder 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 the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### 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 of Association of the Entity.

**Independent auditor's report to the shareholder 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, 2021.
- 6 Note 20 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 of Association of the Entity, which would materially affect its activities or its financial position as at March 31, 2021.
- 8 The Entity has not made any social contributions during the year ended March 31, 2021.

**For UHY James Chartered Accountants**

  
James Mathew FCA, CPA

Managing Partner

Reg. No. 548

May 03, 2021

Dubai - United Arab Emirates



Pidilite MEA Chemicals L.L.C

Dubai - United Arab Emirates

Statement of financial position as at March 31, 2021

(In Arab Emirates Dirham)

	Notes	2021	2020
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	6	19,734,786	20,915,284
Intangible asset	7	979,050	979,050
Right-of-use asset	8	9,341,695	9,964,472
<i>Total non-current assets</i>		<u>30,055,531</u>	<u>31,858,806</u>
<i>Current assets</i>			
Inventories	9	8,778,883	8,540,446
Trade receivables	10	19,929,207	19,195,135
Advances, deposits and other receivables	11	1,806,821	1,596,071
Cash balances	12	9,753	9,796
<i>Total current assets</i>		<u>30,524,664</u>	<u>29,341,448</u>
<b>Total assets</b>		<u>60,580,195</u>	<u>61,200,254</u>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	13	300,000	300,000
Accumulated (losses)	14	(80,140,204)	(75,269,301)
<i>Equity (deficit)</i>		<u>(79,840,204)</u>	<u>(74,969,301)</u>
Shareholder's loan	15	91,517,469	86,517,469
<i>Total shareholder funds</i>		<u>11,677,265</u>	<u>11,548,168</u>
<i>Non-current liabilities</i>			
Employees' end of service benefits	17	2,497,989	2,103,245
Lease liabilities - non-current portion	18	9,916,487	10,179,563
<i>Total non-current liabilities</i>		<u>12,414,476</u>	<u>12,282,808</u>
<i>Current liabilities</i>			
Lease liabilities - current portion	18	418,066	178,695
Bank borrowings	16	16,206,387	17,294,610
Trade and other payables	19	19,864,001	19,895,973
<i>Total current liabilities</i>		<u>36,488,454</u>	<u>37,369,278</u>
<b>Total liabilities</b>		<u>48,902,930</u>	<u>49,652,086</u>
<b>Total equity and liabilities</b>		<u>60,580,195</u>	<u>61,200,254</u>

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

The report of the auditor is set out on pages 3 to 5.

The financial statements on pages 6 to 31 were approved on May 03, 2021 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, 2021

(In Arab Emirates Dirham)

	Notes	2021	2020
Revenue	21	54,447,850	56,766,224
Cost of revenue	22	(46,445,501)	(48,906,119)
<b>Gross profit</b>		<b>8,002,349</b>	<b>7,860,105</b>
Other income	23	139,192	93,956
Selling and distribution expenses	24	(6,321,971)	(6,356,104)
Administrative expenses	25	(5,976,586)	(6,382,356)
Finance costs	26	(713,887)	(1,072,238)
<b>(Loss) for the year</b>		<b>(4,870,903)</b>	<b>(5,856,637)</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) for the year</b>		<b>(4,870,903)</b>	<b>(5,856,637)</b>

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

The report of the auditor is set out on pages 3 to 5.



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

Statement of changes in equity for the year ended March 31, 2021  
(In Arab Emirates Dirham)

	<u>Share capital</u>	<u>Accumulated (losses)</u>	<u>Shareholder's loan</u>	<u>Total shareholder funds</u>
Balance as at March 31, 2019	300,000	(69,412,664)	86,517,469	17,404,805
(Loss) for the year	-	(5,856,637)	-	(5,856,637)
Balance as at March 31, 2020	300,000	(75,269,301)	86,517,469	11,548,168
(Loss) for the year	-	(4,870,903)	-	(4,870,903)
Net movements during the year	-	-	5,000,000	5,000,000
<b>Balance as at March 31, 2021</b>	<b>300,000</b>	<b>(80,140,204)</b>	<b>91,517,469</b>	<b>11,677,265</b>

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

The report of the auditor is set out on pages 3 to 5.



Pidilite MEA Chemicals L.L.C

Dubai - United Arab Emirates

Statement of cash flows for the year ended March 31, 2021

(In Arab Emirates Dirham)

	2021	2020
<b>Cash flows from operating activities</b>		
(Loss) for the year	(4,870,903)	(5,856,637)
<i>Adjustments for:</i>		
(Gain) on disposal of property, plant and equipment	(66,440)	(40,000)
Depreciation on property, plant and equipment	1,990,752	2,018,120
Depreciation on right-of-use asset	622,777	622,780
Allowance for slow moving inventories	228,309	221,327
Allowance for expected credit loss	399,238	703,811
Finance costs	713,887	1,072,238
Provision for employees' end of service benefits	434,776	324,717
<b>Operating (loss) before changes in operating assets and liabilities</b>	<b>(547,604)</b>	<b>(933,644)</b>
<i>(Increase)/decrease in current assets</i>		
Inventories	(466,746)	(1,479,281)
Trade receivables	(1,133,310)	(1,080,150)
Advances, deposits and other receivables	(210,750)	63,390
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	(31,972)	4,621,504
<b>Cash (used in)/generated from operations</b>	<b>(2,390,382)</b>	<b>1,191,819</b>
Employees' end of services benefits paid	(40,032)	(85,583)
<b>Net cash (used in)/from operating activities</b>	<b>(2,430,414)</b>	<b>1,106,236</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(879,605)	(316,986)
Proceeds from sale of property, plant and equipment	135,791	40,000
<b>Net cash (used in) investing activities</b>	<b>(743,814)</b>	<b>(276,986)</b>
<b>Cash flows from financing activities</b>		
Shareholder's loan	5,000,000	-
Finance costs paid	(282,163)	(639,212)
(Repayment) of lease liabilities	(455,429)	(568,680)
<b>Net cash from/(used in) financing activities</b>	<b>4,262,408</b>	<b>(1,207,892)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,088,180</b>	<b>(378,642)</b>
Cash and cash equivalents, beginning of the year	(17,284,814)	(16,906,172)
<b>Cash and cash equivalents, end of the year</b>	<b>(16,196,634)</b>	<b>(17,284,814)</b>
<b>Cash and cash equivalents</b>		
Cash in hand	9,753	9,796
Bank overdrafts	(16,206,387)	(17,294,610)
	<b>(16,196,634)</b>	<b>(17,284,814)</b>

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

The report of the auditor is set out on pages 3 to 5.



**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 Pidilite Industries Limited - India is the ultimate Parent Company of the Entity. 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 4,870,903 during the year and has accumulated (losses) of AED 80,140,204 as at the reporting date.

The shareholder is committed to continuing the operations of the Entity due to its strategic plans and as a result 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. As at the year end, the shareholder had contributed a loan of AED 91,517,469. 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 COVID -19 impact**

In January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak"). Subsequently (March 2020), the WHO classified COVID-19 outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this disease has necessitated global travel restrictions and total lockdown in most countries of the world, with negative implications on the global economy and social life.

As a result of the above, the Entity continues to assess regularly the impact of COVID-19 on its business, in particular the potential impact on export sales due to border restrictions. The evolution of the COVID-19 is changing rapidly on a daily basis. The unprecedented nature of the crisis, the lack of enough historical data, the low visibility and the high uncertainty related to its evolution, its duration and its impact on the economy in general and the business in particular, make the quantification of its impact on the business difficult to assess accurately at this stage.

**4 New standards and amendments**

**4.1 New standards and amendments applicable as on January 01, 2020**

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after January 01, 2020.

- Definition of a Business - Amendments to IFRS 3
- Interest Rate Benchmark Reform - Amendments to IFRS 7, IFRS 9 and IAS 39
- Definition of Material - Amendments to IAS 1 and IAS 8
- Conceptual Framework for Financial Reporting - Amendments
- COVID-19 related rent concessions, amendment to IFRS 16

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

The following standards and interpretations had been issued but not yet mandatory for annual reporting periods ending December 31, 2020.

**4 New standards and amendments (continued)**

**4.2 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>
IFRS 17 - Insurance Contracts	January 1, 2023
Classification of Liabilities as Current or Non-Current - Amendments to IAS 1	January 1, 2023
Reference to the Conceptual Framework - Amendments to IFRS 3	January 1, 2022
Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16	January 1, 2022
Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37	January 1, 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	January 1, 2022
IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities	January 1, 2022
Taxation in fair value measurements - Amendments to IAS 41 Agriculture	January 1, 2022

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.

**5 Significant accounting policies**

**5.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB). These financial statements are presented in United Arab Emirates Dirham (AED) which is the Entity's functional and presentation currency.

**5.2 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.

**5.3 Current/Non current classification**

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

**5.4 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:



**5 Significant accounting policies (continued)**

**5.4 Fair value measurement (continued)**

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.

**5.5 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.

**5.6 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:

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



5 Significant accounting policies (continued)

5.7 Leases

The Entity assesses at the inception of a contract, whether the contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Entity assesses whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Entity.
- the Entity has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Entity has the right to direct the use of the identified asset throughout the period of use. The Entity assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

5.7.1 Entity as lessee

The Entity applies a single recognition and measurement approach for all leases whereby right-of-use assets and lease liabilities are recognized except for the short-term leases and leases of low-value assets.

Right-of-use assets

The Entity recognizes right-of-use assets at the lease commencement date i.e. the date on which the assets are available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of assets comprise the amount of initial lease liabilities recognised, initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and lease payments made at or before the commencement date less any lease incentives received. In addition, the Entity also assesses the right-of-use asset for impairment when such indicators exist.

Depreciation is spread over the shorter of lease term and the estimated useful lives of the assets using straight-line method. The shorter of lease term and the estimated useful lives of the right-of-use assets have been listed below:

	<u>Years</u>
Land	30

Lease liabilities

At the commencement date, the Entity measures lease liabilities at present value of the lease payments that are not paid at that date. The lease payments include fixed payments less any lease incentives receivable, variable lease payments, amount expected to be paid as guaranteed residual value, the exercise price of a purchase option if the Entity is reasonably certain to exercise that option and payments of penalties for terminating the lease. The Entity uses its incremental borrowing rate if interest rate implicit in the lease is not readily determinable, to measure the present value of lease payments.

Subsequent to initial measurement, the Entity remeasures lease by increasing the carrying amount to reflect interest on the lease liabilities and reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount is remeasured if there are modification in lease contracts or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets

The Entity elects not to recognize right-of-use assets and lease liability for short term lease contracts (i.e. lease period less than or equal to 12 months from the date of commencement) and for low value assets. The Entity recognises payments associated with these leases as an expense on a straight-line basis over the lease term.

**5 Significant accounting policies (continued)**

**5.7 Leases (continued)**

**5.7.2 Entity as lessor**

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Entity's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease when all the risks and rewards incidental to the ownership of the underlying asset are not transferred to the lessee. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**5.8 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).

**5.9 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.

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.

**5.10 Financial instruments**

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



5 Significant accounting policies (continued)

5.11 Financial assets

Classification

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.

Impairment of financial assets

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.

5.12 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 and bank borrowings.

**5 Significant accounting policies (continued)**

**5.12 Financial liabilities (continued)**

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.

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.

**5.13 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.

**5.14 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.

**5.15 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.

**5.16 Employee benefits**

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



5 Significant accounting policies (continued)

5.16 Employee benefits (continued)

Provision is also made for employees' end of service benefits in accordance with the UAE labour laws. The Entity computes provision based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The accrual relating to annual leave salary and passage money is classified as current liabilities, while the provision relating to end of service benefits is classified as a non-current liability.

5.17 Value added tax (VAT)

VAT is charged on invoices for taxable goods and services and is governed by Value Added Tax Law of UAE.

Revenue is recorded net of VAT. Expenses and assets are recognized net of VAT except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority. Therefore, the VAT is recognized as part of the cost of acquisition of the assets or as part of the expense item, as applicable.

The receivables and payables are stated with the VAT inclusive amount. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the VAT receivable or VAT payable in the statement of financial position.

5.18 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Entity expects to be entitled in exchange for those goods or services.

Sale of goods

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.

5.19 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.

**5 Significant accounting policies (continued)**

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

**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. 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.

Lease term - the Entity as lessee

The Entity determines lease term as the non-cancellable period of a lease together with any periods covered with an option to extend or terminate. The management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease contract. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Entity reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate it.

**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.

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.

Leasehold improvements

Management determines the estimated useful life and related depreciation charges for its leasehold improvements. This estimate is based on an assumption that the Entity will renew its annual lease over the estimated useful life of the asset. It could change significantly should the annual lease not be renewed. Management will increase the depreciation charge where the useful life is less than the previously estimated useful life.

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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**6 Property, plant and equipment**

Cost	Building	Plant and machinery	Tools and lab equipments	Vehicles	Furniture and fixtures	Office equipments	Total
As at March 31, 2019	23,637,392	6,679,395	450,974	839,880	689,817	578,430	32,875,888
Addition during the year	-	81,216	40,750	170,000	845	24,175	316,986
Disposal during the year	-	-	-	(108,430)	-	-	(108,430)
Balance as at March 31, 2020	23,637,392	6,760,611	491,724	901,450	690,662	602,605	33,084,444
Addition during the year	-	684,146	2,035	175,500	3,729	14,195	879,605
Disposal during the year	(35,000)	(65,401)	-	(191,230)	-	-	(291,631)
<b>Balance as at March 31, 2021</b>	<b>23,602,392</b>	<b>7,379,356</b>	<b>493,759</b>	<b>885,720</b>	<b>694,391</b>	<b>616,800</b>	<b>33,672,418</b>
<b>Accumulated depreciation</b>							
As at March 31, 2019	4,884,698	3,392,269	393,247	583,979	544,883	460,394	10,259,470
Charge for the year	1,180,325	542,467	31,393	92,704	89,873	81,358	2,018,120
Eliminated on disposal during the year	-	-	-	(108,430)	-	-	(108,430)
Balance as at March 31, 2020	6,065,023	3,934,736	424,640	568,253	634,756	541,752	12,169,160
Charge for the year	1,182,452	555,998	28,504	130,303	53,022	40,473	1,990,752
Eliminated on disposal during the year	-	(31,050)	-	(191,230)	-	-	(222,280)
<b>Balance as at March 31, 2021</b>	<b>7,247,475</b>	<b>4,459,684</b>	<b>453,144</b>	<b>507,326</b>	<b>687,778</b>	<b>582,225</b>	<b>13,937,632</b>
<b>Carrying value as at March 31, 2021</b>	<b>16,354,917</b>	<b>2,919,672</b>	<b>40,615</b>	<b>378,394</b>	<b>6,613</b>	<b>34,575</b>	<b>19,734,786</b>
Carrying value as at March 31, 2020	17,572,369	2,825,875	67,084	333,197	55,906	60,853	20,915,284

Notes:

- 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.

- Breakup of depreciation charged:

	Notes	For the year ended March 31,
		2021
Cost of revenue	22	1,187,553
Administrative expenses	25	803,199
		1,990,752
		2,018,120



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<b>7 Intangible asset</b>	<b>2021</b>	<b>2020</b>
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.

**8 Right-of-use asset**

	<b>Land lease</b>
<b>Cost</b>	
As at March 31, 2019	<u>10,587,252</u>
As at March 31, 2020	<u>10,587,252</u>
<b>As at March 31, 2021</b>	<u><b>10,587,252</b></u>
<b>Accumulated depreciation</b>	
Charge for the year	<u>622,780</u>
As at March 31, 2020	<u>622,780</u>
Charge for the year	<u>622,777</u>
<b>As at March 31, 2021</b>	<u><b>1,245,557</b></u>
<b>Carrying value as at March 31, 2021</b>	<u><b>9,341,695</b></u>
Carrying value as at March 31, 2020	<u>9,964,472</u>

The Entity has lease rights of land situated at Plot No. 597 - 425, Dubai Investments Park, Dubai - United Arab Emirates on which the buildings, plant and machinery are erected. The lease contract is expiring on May 26, 2036. The asset is depreciated over the lease period on straight line basis.

		<b>For the year ended March 31,</b>	
	<b>Notes</b>	<b>2021</b>	<b>2020</b>
Breakup of depreciation charged:			
Cost of revenue	22	<u>168,150</u>	168,151
Administrative expenses	25	<u>454,627</u>	454,629
		<u><b>622,777</b></u>	<u>622,780</u>
<b>9 Inventories</b>		<b>2021</b>	<b>2020</b>
Raw materials		<u>2,829,115</u>	2,419,073
Packing materials		<u>458,728</u>	389,396
Spare parts		<u>68,871</u>	84,923
Goods held for trading - trading division		<u>4,557,911</u>	4,862,000
Goods held for trading - manufacturing division		<u>365,078</u>	545,850
Finished goods		<u>1,296,769</u>	826,231
		<u><b>9,576,472</b></u>	<u>9,127,473</u>
Goods-in-transit		<u>680,807</u>	1,036,444
Less: Allowances for slow moving inventories		<u>(1,478,396)</u>	(1,623,471)
		<u><b>8,778,883</b></u>	<u>8,540,446</u>



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**9 Inventories (continued)**

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

	2021	2020
Balance at the beginning of the year	1,623,471	1,402,144
Charge during the year (note 25)	228,309	221,327
Less: Written off during the year	(373,384)	-
Balance at the end of the year	<u>1,478,396</u>	<u>1,623,471</u>

**10 Trade receivables**

Trade receivables - related party	90,195	-
- others	<u>22,263,651</u>	<u>22,739,023</u>
	<b>22,353,846</b>	<b>22,739,023</b>
Less: Allowance for expected credit loss	<u>(2,424,639)</u>	<u>(3,543,888)</u>
	<u><b>19,929,207</b></u>	<u><b>19,195,135</b></u>

The average credit period for the trade receivables is 90/120 days (2020: 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, 2021, there are 5 customers (2020: 5 customers) representing 16% (2020: 12%) of the total receivables.

	2021	2020
<i>Ageing of trade receivables that are neither past nor due:</i>		
1 - 90/120 days	16,897,349	15,688,332
<i>Ageing of trade receivables that are past due:</i>		
1 - 90 days	2,861,892	3,196,829
91 - 180 days	134,823	820,883
181 - 270 days	150,491	109,232
271 - 360 days	252,943	124,276
361 days and above	<u>2,056,348</u>	<u>2,799,471</u>
	<u><b>22,353,846</b></u>	<u><b>22,739,023</b></u>

*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.

	2021	2020
Expected credit loss rate	10.8%	15.6%
Estimated total gross carrying amount at default	22,353,846	22,739,023
Amounts not past due	16,897,349	15,688,332
Lifetime expected credit loss	2,424,639	3,543,888
Net carrying amount	<u>19,929,207</u>	<u>19,195,135</u>

*The movements in the allowance for expected credit loss as at the reporting date are as follows:*

Balance at the beginning of the year	3,543,888	2,840,077
Add: Charge during the year (note 25)	399,238	703,811
Less: Written off during the year	<u>(1,518,487)</u>	-
Balance at the end of the year	<u><b>2,424,639</b></u>	<u><b>3,543,888</b></u>



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**10 Trade receivables (continued)**

In determining the impairment loss on trade receivables, the Entity does not consider any changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The management has established a provision matrix that is based on its historic credit loss experience, adjusted for forward-looking information specific to the debtor and the overall economic environment.

	<u>2021</u>	<u>2020</u>
<i>Geographical analysis:</i>		
The geographical analysis of trade receivables are as follows:		
Within U.A.E.	20,190,928	20,239,064
Within other G.C.C. countries	2,072,723	2,499,959
Others	90,195	-
	<u>22,353,846</u>	<u>22,739,023</u>

**11 Advances, deposits and other receivables**

Prepayments	728,774	759,362
Deposits	279,631	355,231
Advances to suppliers	207,638	63,564
Staff loans and advances	55,977	11,833
Other receivables	534,801	406,081
	<u>1,806,821</u>	<u>1,596,071</u>

**12 Cash balances**

Cash in hand	<u>9,753</u>	<u>9,796</u>
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**13 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 Parent Company of the Entity.

	<u>2021</u>	<u>2020</u>
<b>14 Accumulated (losses)</b>		
Balance at the beginning of the year	(75,269,301)	(69,412,664)
(Loss) for the year	(4,870,903)	(5,856,637)
Balance at the end of the year	<u>(80,140,204)</u>	<u>(75,269,301)</u>

**15 Shareholder's loan**

Balance at the beginning of the year	86,517,469	86,517,469
Net movements during the year	5,000,000	-
Balance at the end of the year	<u>91,517,469</u>	<u>86,517,469</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.

**16 Bank borrowings**

Bank overdrafts	<u>16,206,387</u>	<u>17,294,610</u>
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The above borrowings are secured by corporate guarantee of the ultimate owner.

**17 Employees' end of service benefits**

Balance at the beginning of the year	2,103,245	1,864,111
Add: Charge for the year	434,776	324,717
Less: Paid during the year	(40,032)	(85,583)
Balance at the end of the year	<u>2,497,989</u>	<u>2,103,245</u>



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**17 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.

	<u>2021</u>	<u>2020</u>
<b>18 Lease liabilities</b>		
Balance at the beginning of the year	10,358,258	-
As at April 01, 2019 (upon adoption of IFRS 16)	-	10,493,912
Add: Interest for the year	431,724	433,026
Less: Paid during the year	<u>(455,429)</u>	<u>(568,680)</u>
Balance at the end of the year	<u>10,334,553</u>	<u>10,358,258</u>
<b>Comprising:</b>		
Current portion	418,066	178,695
Non-current portion	<u>9,916,487</u>	<u>10,179,563</u>
	<u>10,334,553</u>	<u>10,358,258</u>

The Entity has operating lease of land until May 26, 2036. Lease liability was recorded, measured at the present value of the remaining lease payments and discounted at the Entity's incremental borrowing rate of 4.25% as at April 01, 2019.

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<i>Maturity profile of lease payments - contractual undiscounted cash flows:</i>		
Less than 1 year	840,961	568,680
1 to 5 years	3,838,891	2,908,912
More than 5 years	<u>9,666,203</u>	<u>11,323,410</u>
	<u>14,346,055</u>	<u>14,801,002</u>
<b>Amounts recognised in profit or loss:</b>		
Interest on lease liabilities (note 26)	431,724	433,026
Depreciation expense	622,777	622,780
<i>Payments not included in the measurement of the lease liability:</i>		
Expenses related to short term leases	<u>234,032</u>	<u>260,471</u>
<b>Net impact for the year</b>	<u>1,288,533</u>	<u>1,316,277</u>
<i>Amounts recognised in statement of cash flows:</i>		
Total cash outflows for leases	<u>455,429</u>	<u>823,165</u>

**19 Trade and other payables**

Trade payables - related parties	10,182,498	13,242,464
- others	7,707,442	4,905,984
Advances from customers	41,746	85,969
Provisions and accruals	1,611,925	1,309,727
VAT payable - net	<u>320,390</u>	<u>351,829</u>
	<u>19,864,001</u>	<u>19,895,973</u>

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**20 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.

<b>a) Due from a related party</b>	<u>2021</u>	<u>2020</u>
<i>Entity under common management and control</i>		
M/s. Plus Call Technical Services LLC - U.A.E.	-	143,073
Less: Impairment	-	(143,073)
	<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:

Balance at the beginning of the year	143,073	143,073
Less: Written off during the year	(143,073)	-
Balance at the end of the year	<u>-</u>	<u>143,073</u>

**b) Transactions with related parties**

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

	<u>For the year ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
<i>Sale of property, plant and equipment</i>		
M/s. Nina Percept Private Limited - India	<u>40,000</u>	<u>-</u>
<i>Sales</i>		
M/s. Pidilite East Africa Limited - Kenya	<u>90,194</u>	<u>-</u>
<i>Purchases</i>		
M/s. Pidilite Industries Limited - India	23,402,195	28,656,658
M/s. Pidilite Industries Trading - Egypt	67,737	211,680
M/s. CIPY Polyurethanes Private Limited - India	-	330,967
	<u>23,469,932</u>	<u>29,199,305</u>
<i>Royalty expenses</i>		
M/s. Pidilite Industries Limited - India	<u>478,662</u>	<u>450,810</u>
<i>Administrative expenses charged by related parties</i>		
M/s. Pidilite Industries Limited - India	285,644	295,795
M/s. Pidilite Industries Limited - U.A.E.	478,336	726,469
	<u>763,980</u>	<u>1,022,264</u>
<i>Other expenses charged to a related party</i>		
M/s. Pidilite Industries Limited - U.A.E.	<u>2,966,969</u>	<u>3,702,110</u>
<i>Director's fee</i>	<u>50,000</u>	<u>20,000</u>

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	For the year ended March 31,	
	2021	2020
<b>21 Revenue</b>		
Revenue from contracts with customers	<b>54,447,850</b>	56,766,224

**21.1 Disaggregated revenue information**

Set out below is the disaggregation of the Entity's revenue from contracts with customers.

Segments

Trading	<b>41,224,773</b>	41,802,647
Manufacturing	<b>13,223,077</b>	14,963,577
<b>Total revenue from contracts with customers</b>	<b>54,447,850</b>	56,766,224

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.

**Geographical markets**

Within U.A.E.	<b>49,128,699</b>	52,749,615
Within other G.C.C. countries	<b>4,930,518</b>	3,514,021
Others	<b>388,633</b>	502,588
<b>Total revenue from contracts with customers</b>	<b>54,447,850</b>	56,766,224

**Timing of revenue recognition**

Revenue recognised at a point in time	<b>54,447,850</b>	56,766,224
<b>Total revenue from contracts with customers</b>	<b>54,447,850</b>	56,766,224

**21.2 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,	
	2021	2020
<b>22 Cost of revenue</b>		
Cost of revenue : Trading	<b>35,465,256</b>	36,297,996
: Manufacturing	<b>10,980,245</b>	12,608,123
	<b>46,445,501</b>	48,906,119
<i>- Cost of revenue : Trading</i>		
Goods held for trading at the beginning of the year	<b>4,862,000</b>	3,890,344
Purchases (including other expenses)	<b>35,161,167</b>	37,269,652
Goods held for trading at the end of the year (note 9)	<b>(4,557,911)</b>	(4,862,000)
	<b>35,465,256</b>	36,297,996

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	For the year ended March 31,	
	2021	2020
<b>22 Cost of revenue (continued)</b>		
- <i>Cost of revenue : Manufacturing</i>		
Raw materials and packing materials at the beginning of the year	2,808,469	2,342,324
Goods held for trading at the beginning of the year	545,850	92,195
Purchases	7,776,026	9,058,462
Subcontracting/labor expenses	287,939	961,988
Salaries and wages	1,827,839	1,753,955
Other direct expenses	501,878	445,662
Depreciation on property, plant and equipment (note 6)	1,187,553	1,175,826
Depreciation on right of use asset (note 8)	168,150	168,151
Raw and packing materials at the end of the year (note 9)	<b>(3,287,843)</b>	<b>(2,808,469)</b>
Goods held for trading at the end of the year (note 9)	<b>(365,078)</b>	<b>(545,850)</b>
	<b>11,450,783</b>	<b>12,644,244</b>
Finished goods at beginning of the year	826,231	790,110
Finished goods at the end of the year (note 9)	<b>(1,296,769)</b>	<b>(826,231)</b>
	<b>10,980,245</b>	<b>12,608,123</b>
<b>23 Other income</b>		
Gain on disposal of property, plant and equipment	66,440	40,000
Sale of scrap	70,327	35,098
Foreign currency exchange gain	2,425	18,858
	<b>139,192</b>	<b>93,956</b>
<b>24 Selling and distribution expenses</b>		
Salaries and benefits	1,938,971	1,900,638
Advertisement and business promotion	560,360	569,222
Royalty expenses	478,662	450,810
Distribution expenses	767,598	1,032,793
Consulting expenses	2,517,868	2,358,873
Others	58,512	43,768
	<b>6,321,971</b>	<b>6,356,104</b>



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	For the year ended March 31,	
	2021	2020
<b>25 Administrative expenses</b>		
Salaries and related benefits	2,704,303	2,652,387
Legal, professional and related expenses	560,006	556,358
Vehicle running and maintenance	97,340	151,863
Telephone and communication	98,819	125,184
Utilities	97,102	104,651
Repairs and maintenance	48,396	42,004
Printing and stationery	34,480	55,840
Security service charges	93,680	95,400
Depreciation on property, plant and equipment (note 6)	803,199	842,294
Depreciation on right of use assets (note 8)	454,627	454,629
Allowance for slow moving inventories (note 9)	228,309	221,327
Allowance for expected credit loss (note 10)	399,238	703,811
Bank charges	207,558	256,159
Others	149,529	120,449
	<u>5,976,586</u>	<u>6,382,356</u>
<b>26 Finance costs</b>		
Interest on lease liabilities (note 18)	431,724	433,026
Bank interest	282,163	639,212
	<u>713,887</u>	<u>1,072,238</u>
<b>27 Financial instruments</b>		

a) *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 5 to the financial statements.

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,	
	2021	2020	2021	2020
<i>Financial assets</i>	<b>Carrying amount</b>		<b>Fair value</b>	
Trade receivables	19,929,207	19,195,135	19,929,207	19,195,135
Deposits and other receivables	870,409	773,145	870,409	773,145
Cash balances	9,753	9,796	9,753	9,796
	<u>20,809,369</u>	<u>19,978,076</u>	<u>20,809,369</u>	<u>19,978,076</u>
<i>Financial liabilities</i>				
Bank borrowings	16,206,387	17,294,610	16,206,387	17,294,610
Trade and other payables	19,822,255	19,810,004	19,822,255	19,810,004
Lease liabilities	10,334,553	10,358,258	10,334,553	10,358,258
	<u>46,363,195</u>	<u>47,462,872</u>	<u>46,363,195</u>	<u>47,462,872</u>



**27 Financial instruments (continued)**

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

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 lease liabilities.

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

**28 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:

	Equivalent to AED	
	Liabilities	
	2021	2020
Euro	512,840	351,770
GBP	52,173	-

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	
	2021	2020
	Euro	(10,257)
GBP	(1,043)	-

28 Financial risk management objectives (continued)

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 81,032 (2020: (decrease)/increase by AED 86,473).

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 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 shareholder through its current accounts or loans.

*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, 2021							
<b>Financial assets</b>							
Trade receivables	-	-	-	-	19,929,207	-	19,929,207
Deposits and other receivables	-	-	-	-	870,409	-	870,409
Cash balances	-	-	-	9,753	-	-	9,753
	-	-	-	9,753	20,799,616	-	20,809,369
<b>Financial liabilities</b>							
Bank borrowings	16,206,387	-	-	-	-	-	16,206,387
Trade and other payables	-	-	-	-	19,822,255	-	19,822,255
Lease liabilities	-	418,066	9,916,487	-	-	-	10,334,553
	16,206,387	418,066	9,916,487	-	19,822,255	-	46,363,195

**28 Financial risk management objectives (continued)**

c) *Liquidity risk management (continued)*

*Liquidity and interest risk table (continued)*

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, 2020							
<b>Financial assets</b>							
Trade receivables	-	-	-	-	19,195,135	-	19,195,135
Deposits and other receivables	-	-	-	-	773,145	-	773,145
Cash balances	-	-	-	9,796	-	-	9,796
	-	-	-	9,796	19,968,280	-	19,978,076
<b>Financial liabilities</b>							
Bank borrowings	17,294,610	-	-	-	-	-	17,294,610
Trade and other payables	-	-	-	-	19,810,004	-	19,810,004
Lease liabilities	-	178,695	10,179,563	-	-	-	10,358,258
	17,294,610	178,695	10,179,563	-	19,810,004	-	47,462,872

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. and the Entity applies simplified approach under IFRS 9 to measure lifetime expected credit loss allowance on all of its trade receivables.

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 10 and 11 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.

**29 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 capital structure of the Entity consists of cash and cash equivalents and equity comprising issued capital, accumulated (losses) and shareholder's loan as disclosed in the financial statements.



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**30 Contingent liabilities**

Except for the 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.

**31 Commitments**

Except for the 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.

**32 Reclassification**

Certain amounts for the prior year were reclassified to conform to current year's presentation. However, such reclassifications do not have any impact on the Entity's previously reported financial result or equity.

