

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

Auditor's report and financial statements  
For the year ended March 31, 2022



**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, 2022

**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 & construction chemicals.

**Financial review:**

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

	2022	2021
Revenue	66,127,661	54,447,850
Gross profit	9,548,594	8,002,349
Gross profit margin	14.4%	14.7%
Net (loss) for the year	(2,410,079)	(4,870,903)

**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 2,410,079 during the year and has accumulated (losses) of AED 82,550,283 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 05, 2022**



Ref: JM/AR/2022/22216

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, 2022 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, 2022 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 2,410,079 during the year and has accumulated (losses) of AED 82,550,283 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.
- 3 Proper books of accounts have been maintained by 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)**

- 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, 2022.
- 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, 2022.

**For UHY James Chartered Accountants**

  
James Mathew FCA, CPA  
Managing Partner  
Reg. No. 548  
May 05, 2022  
Dubai - United Arab Emirates



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


Statement of financial position as at March 31, 2022  
(In Arab Emirates Dirham)

	Notes	2022	2021
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	6	18,317,160	19,734,786
Intangible assets	7	1,299,764	979,050
Right-of-use asset	8	7,004,570	9,341,695
<b>Total non-current assets</b>		<b>26,621,494</b>	<b>30,055,531</b>
<i>Current assets</i>			
Inventories	9	11,363,421	8,778,883
Trade receivables	10	23,325,483	19,929,207
Advances, deposits and other receivables	11	1,725,185	1,806,821
Cash balances	12	17,789	9,753
<b>Total current assets</b>		<b>36,431,878</b>	<b>30,524,664</b>
<b>Total assets</b>		<b>63,053,372</b>	<b>60,580,195</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	13	300,000	300,000
Accumulated (losses)	14	(82,550,283)	(80,140,204)
<b>Equity (deficit)</b>		<b>(82,250,283)</b>	<b>(79,840,204)</b>
Shareholder's loan	15	91,517,469	91,517,469
<b>Total shareholder's funds</b>		<b>9,267,186</b>	<b>11,677,265</b>
<i>Non-current liabilities</i>			
Employees' end of service benefits	17	2,838,716	2,497,989
Lease liabilities - non-current portion	18	7,718,624	9,916,487
<b>Total non-current liabilities</b>		<b>10,557,340</b>	<b>12,414,476</b>
<i>Current liabilities</i>			
Lease liabilities - current portion	18	432,378	418,066
Bank borrowings	16	18,305,498	16,206,387
Trade and other payables	19	24,490,970	19,864,001
<b>Total current liabilities</b>		<b>43,228,846</b>	<b>36,488,454</b>
<b>Total liabilities</b>		<b>53,786,186</b>	<b>48,902,930</b>
<b>Total equity and liabilities</b>		<b>63,053,372</b>	<b>60,580,195</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.

The financial statements on pages 6 to 32 were approved on May 05, 2022 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, 2022

(In Arab Emirates Dirham)

	Notes	2022	2021
Revenue	21	66,127,661	54,447,850
Cost of revenue	22	(56,579,067)	(46,445,501)
<b>Gross profit</b>		<b>9,548,594</b>	<b>8,002,349</b>
Other income	23	183,086	139,192
Selling and distribution expenses	24	(5,948,801)	(6,321,971)
Administrative expenses	25	(5,662,893)	(5,976,586)
Finance costs	26	(530,065)	(713,887)
<b>(Loss) for the year</b>		<b>(2,410,079)</b>	<b>(4,870,903)</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) for the year</b>		<b>(2,410,079)</b>	<b>(4,870,903)</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, 2022  
(In Arab Emirates Dirham)

	<u>Share capital</u>	<u>Accumulated (losses)</u>	<u>Shareholder's loan</u>	<u>Total shareholder's funds</u>
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
Balance as at March 31, 2021	300,000	(80,140,204)	91,517,469	11,677,265
(Loss) for the year	-	(2,410,079)	-	(2,410,079)
<b>Balance as at March 31, 2022</b>	<b>300,000</b>	<b>(82,550,283)</b>	<b>91,517,469</b>	<b>9,267,186</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, 2022

(In Arab Emirates Dirham)

	2022	2021
<b>Cash flows from operating activities</b>		
(Loss) for the year	(2,410,079)	(4,870,903)
<i>Adjustments for:</i>		
(Gain) on disposal of property, plant and equipment	(7,619)	(66,440)
Depreciation on property, plant and equipment	1,988,501	1,990,752
Depreciation on right-of-use asset	500,328	622,777
Allowance for slow moving inventories	161,420	228,309
Allowance for expected credit loss	58,074	399,238
Finance costs	530,065	713,887
Provision for employees' end of service benefits	361,071	434,776
<b>Operating profit/(loss) before changes in operating assets and liabilities</b>	<b>1,181,761</b>	<b>(547,604)</b>
<i>(Increase)/decrease in current assets</i>		
Inventories	(2,745,958)	(466,746)
Trade receivables	(3,454,350)	(1,133,310)
Advances, deposits and other receivables	81,636	(210,750)
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	4,626,969	(31,972)
<b>Cash (used in) operations</b>	<b>(309,942)</b>	<b>(2,390,382)</b>
Employees' end of services benefits paid	(20,344)	(40,032)
<b>Net cash (used in) operating activities</b>	<b>(330,286)</b>	<b>(2,430,414)</b>
<b>Cash flows from investing activities</b>		
Acquisition of intangible assets	(320,714)	-
Acquisition of property, plant and equipment	(570,875)	(879,605)
Proceeds from disposal of property, plant and equipment	7,619	135,791
<b>Net cash (used in) investing activities</b>	<b>(883,970)</b>	<b>(743,814)</b>
<b>Cash flows from financing activities</b>		
Shareholder's loan	-	5,000,000
Finance costs paid	(289,168)	(282,163)
(Repayment) of lease liabilities	(587,651)	(455,429)
<b>Net cash (used in)/from financing activities</b>	<b>(876,819)</b>	<b>4,262,408</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,091,075)</b>	<b>1,088,180</b>
Cash and cash equivalents, beginning of the year	(16,196,634)	(17,284,814)
<b>Cash and cash equivalents, end of the year</b>	<b>(18,287,709)</b>	<b>(16,196,634)</b>
<b>Cash and cash equivalents</b>		
Cash in hand	17,789	9,753
Bank overdrafts	(18,305,498)	(16,206,387)
	<b>(18,287,709)</b>	<b>(16,196,634)</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 & construction chemicals.
- 1.3** The registered address of the Entity is P.O. Box: 120657, Dubai - United Arab Emirates.
- 1.4** M/s. 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 2,410,079 during the year and has accumulated (losses) of AED 82,550,283 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 reporting date, 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**

COVID-19 has interrupted the movement of people and goods throughout the world, as well as affecting the profitability and long-term viability of many businesses. While many jurisdictions have experienced improved economic outlook in 2021, many jurisdictions and industries are still being affected significantly by the effects of COVID-19. This includes supply chain disruptions, changes in demand for goods and services as well as the uncertainty of future government imposed restrictions on operations.

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 April 01, 2021**

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after April 01, 2021.

- COVID-19-related rent concessions beyond June 30, 2021 - Amendments to IFRS 16
- Interest Rate Benchmark Reform phase 2 - Amendments to IFRS 7, IFRS 9, IFRS 16 and IAS 39

The management believes that the adoption of the above amendments effective for the current accounting period has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements.

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

##### 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 March 31, 2022.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Annual improvements to IFRSs - 2018-2020 cycle	April 01, 2022
Proceeds before Intended Use - Amendments to IAS 16, <i>Property, Plant and Equipment</i>	April 01, 2022
Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	April 01, 2022
Reference to the Conceptual Framework - Amendments to IFRS 3, <i>Business Combinations</i>	April 01, 2022
IFRS 17 - <i>Insurance Contracts</i>	April 01, 2023
Amendments to IFRS 4 for Extension of the Temporary Exemption from Applying IFRS 9	April 01, 2023
Classification of Liabilities as Current or Non-Current - Amendments to IAS 1, <i>Presentation of Financial Statements</i>	April 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1, <i>Presentation of Financial Statements and IFRS Practice Statement 2</i>	April 01, 2023
Definition of Accounting Estimates - Amendments to IAS 8, <i>Accounting policies, Changes in Accounting Estimates and Errors</i>	April 01, 2023
Deferred Tax related to Assets and Liabilities arising from Single Transaction - Amendments to IAS 12, <i>Income Taxes</i>	April 01, 2023

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) and applicable U.A.E. laws. 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 as current when it is:

Expected to be realised or intended to be 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.

**5 Significant accounting policies (continued)**

**5.3 Current/Non current classification (continued)**

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:

- 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

**5 Significant accounting policies (continued)**

**5.6 Property, plant and equipment (continued)**

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.

**5.7 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



**5 Significant accounting policies (continued)**

**5.7 Leases (continued)**

**5.7.1 Entity as lessee (continued)**

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.

**5.8 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).

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;



**5 Significant accounting policies (continued)**

**5.8 Intangible assets (continued)**

Computer software (continued)

- it can be demonstrated that the software product will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development and to use or sell the software product; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

**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.

**5.11 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.

**5 Significant accounting policies (continued)**

**5.11 Financial assets (continued)**

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, trade 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, bank borrowings and lease liabilities.

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.

**5 Significant accounting policies (continued)**

**5.12 Financial liabilities (continued)**

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.

Provision is also made for employees' end of service benefits in accordance with the U.A.E. 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 Significant accounting policies (continued)**

**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 U.A.E.

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.

**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.

Notes to the financial statements for the year ended March 31, 2022

**5 Significant accounting policies (continued)**

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

**Critical judgements in applying accounting policies (continued)**

*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.

*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**

<b>Cost</b>	<b>Building</b>	<b>Plant and machinery</b>	<b>Tools and lab equipments</b>	<b>Vehicles</b>	<b>Furniture and fixtures</b>	<b>Office equipments</b>	<b>Total</b>
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)
Balance as at March 31, 2021	23,602,392	7,379,356	493,759	885,720	694,391	616,800	33,672,418
Addition during the year	4,000	523,734	-	-	11,269	31,872	570,875
Disposal during the year	-	-	-	(36,450)	-	-	(36,450)
Transfer	-	567,753	(493,759)	-	-	(73,994)	-
<b>Balance as at March 31, 2022</b>	<b>23,606,392</b>	<b>8,470,843</b>	<b>-</b>	<b>849,270</b>	<b>705,660</b>	<b>574,678</b>	<b>34,206,843</b>
<b>Accumulated depreciation</b>							
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)
Balance as at March 31, 2021	7,247,475	4,459,684	453,144	507,326	687,778	582,225	13,937,632
Charge for the year	1,174,319	633,883	-	163,602	2,174	14,523	1,988,501
Eliminated on disposal during the year	-	-	-	(36,450)	-	-	(36,450)
Transfer	-	526,633	(453,144)	-	-	(73,489)	-
<b>Balance as at March 31, 2022</b>	<b>8,421,794</b>	<b>5,620,200</b>	<b>-</b>	<b>634,478</b>	<b>689,952</b>	<b>523,259</b>	<b>15,889,683</b>
<b>Carrying value as at March 31, 2022</b>	<b>15,184,598</b>	<b>2,850,643</b>	<b>-</b>	<b>214,792</b>	<b>15,708</b>	<b>51,419</b>	<b>18,317,160</b>
Carrying value as at March 31, 2021	16,354,917	2,919,672	40,615	378,394	6,613	34,575	19,734,786

**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

<b>For the year ended March 31,</b>		
	<b>Notes</b>	
	22	2021
Cost of revenue		1,232,786
Administrative expenses	25	755,715
		1,988,501
		1,990,752



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<b>7 Intangible assets</b>	<b>2022</b>	<b>2021</b>
Trademark	979,050	979,050
Software	320,714	-
	<b>1,299,764</b>	<b>979,050</b>

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. Software represents accounting system used for book keeping purposes. The software is amortized over the useful life of 5 years.

<b>8 Right-of-use asset</b>	<b>Land lease</b>
<b>Cost</b>	
As at March 31, 2020	10,587,252
As at March 31, 2021	10,587,252
Effect of modification to lease terms	(1,836,797)
<b>As at March 31, 2022</b>	<b>8,750,455</b>
<b>Accumulated depreciation</b>	
As at March 31, 2020	622,780
Charge for the year	622,777
As at March 31, 2021	1,245,557
Charge for the year	500,328
<b>As at March 31, 2022</b>	<b>1,745,885</b>
<b>Carrying value as at March 31, 2022</b>	<b>7,004,570</b>
Carrying value as at March 31, 2021	9,341,695

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>2022</b>	<b>2021</b>
Breakup of depreciation charged:			
Cost of revenue	22	135,089	168,150
Administrative expenses	25	365,239	454,627
		<b>500,328</b>	<b>622,777</b>
<b>9 Inventories</b>		<b>2022</b>	<b>2021</b>
Raw materials		2,938,572	2,829,115
Packing materials		539,253	458,728
Spare parts		75,707	68,871
Goods held for trading - trading division		5,299,870	4,557,911
Goods held for trading - manufacturing division		292,160	365,078
Finished goods		1,795,601	1,296,769
		<b>10,941,163</b>	<b>9,576,472</b>
Goods-in-transit		1,409,935	680,807
Less: Allowances for slow moving inventories		(987,677)	(1,478,396)
		<b>11,363,421</b>	<b>8,778,883</b>





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**9 Inventories (continued)**

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

	2022	2021
Balance at the beginning of the year	1,478,396	1,623,471
Charge during the year (note 25)	161,420	228,309
Less: Written off during the year	(652,139)	(373,384)
Balance at the end of the year	987,677	1,478,396

**10 Trade receivables**

Trade receivables - related party	57,088	90,195
- others	25,230,999	22,263,651
	25,288,087	22,353,846
Less: Allowance for expected credit loss	(1,962,604)	(2,424,639)
	23,325,483	19,929,207

The average credit period for the trade receivables is 90/120 days (2021: 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, 2022, there are 5 customers (2021: 5 customers) representing 16% (2021: 16%) of the total receivables.

	2022	2021
<i>Ageing of trade receivables that are neither past nor due:</i>		
Not due	20,292,961	16,897,349
<i>Ageing of trade receivables that are past due:</i>		
1 - 90 days	2,722,534	2,861,892
91 - 180 days	496,407	134,823
181 - 270 days	98,739	150,491
271 - 360 days	99,998	252,943
361 days and above	1,577,448	2,056,348
	25,288,087	22,353,846

*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. 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.

	2022	2021
Expected credit loss rate	7.8%	10.8%
Estimated total gross carrying amount at default	25,288,087	22,353,846
Amounts not past due	20,292,961	16,897,349
Lifetime expected credit loss	1,962,604	2,424,639
Net carrying amount	23,325,483	19,929,207



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**10 Trade receivables (continued)***The movements in the allowance for expected credit loss as at the reporting date are as follows:*

	2022	2021
Balance at the beginning of the year	2,424,639	3,543,888
Add: Charge during the year (note 25)	58,074	399,238
Less: Written off during the year	(520,109)	(1,518,487)
Balance at the end of the year	1,962,604	2,424,639

*Geographical analysis:*

The geographical analysis of trade receivables are as follows:

Within U.A.E.	22,042,561	20,190,928
Within other G.C.C. countries	2,748,831	2,072,723
Others	496,695	90,195
	25,288,087	22,353,846

**11 Advances, deposits and other receivables**

Prepayments	692,285	728,774
Deposits	269,510	279,631
Advances to suppliers	107,453	207,638
Staff loans and advances	73,569	55,977
Other receivables	582,368	534,801
	1,725,185	1,806,821

**12 Cash balances**

Cash in hand	17,789	9,753
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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.

**14 Accumulated (losses)**

Balance at the beginning of the year	(80,140,204)	(75,269,301)
(Loss) for the year	(2,410,079)	(4,870,903)
Balance at the end of the year	(82,550,283)	(80,140,204)

**15 Shareholder's loan**

Balance at the beginning of the year	91,517,469	86,517,469
Net movements during the year	-	5,000,000
Balance at the end of the year	91,517,469	91,517,469

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	18,305,498	16,206,387
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The above borrowings are secured by corporate guarantee of the ultimate Parent Company.

**17 Employees' end of service benefits**

Balance at the beginning of the year	2,497,989	2,103,245
Add: Charge for the year	361,071	434,776
Less: Paid during the year	(20,344)	(40,032)
Balance at the end of the year	2,838,716	2,497,989



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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.

	2022	2021
<b>18 Lease liabilities</b>		
Balance at the beginning of the year	10,334,553	10,358,258
Add: Interest for the year (note 26)	240,897	431,724
Less: Paid during the year	(587,651)	(455,429)
Effect of lease modification	(1,836,797)	
Balance at the end of the year	<u>8,151,002</u>	<u>10,334,553</u>
<b>Comprising:</b>		
Current portion	432,378	418,066
Non-current portion	<u>7,718,624</u>	<u>9,916,487</u>
	<u>8,151,002</u>	<u>10,334,553</u>

The Entity has operating lease of land until May 26, 2036. Lease liabilities 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.

*Maturity profile of lease payments:*

	Within 1 year	1 to 5 years	More than 5 years	Total
<b>March 31, 2022</b>				
Lease payments - undiscounted	663,442	2,399,886	7,008,187	10,071,515
Less: Finance charges	(231,064)	(817,548)	(871,901)	(1,920,513)
<b>Net present value</b>	<u>432,378</u>	<u>1,582,338</u>	<u>6,136,286</u>	<u>8,151,002</u>
<b>March 31, 2021</b>				
Lease payments - undiscounted	840,961	2,908,912	10,596,183	14,346,056
Less: Finance charges	(422,895)	(1,556,624)	(2,031,984)	(4,011,503)
<b>Net present value</b>	<u>418,066</u>	<u>1,352,288</u>	<u>8,564,199</u>	<u>10,334,553</u>

	2022	2021
<b>For the year ended March 31,</b>		
<b>Amounts recognised in statement of profit or loss:</b>		
Interest on lease liabilities (note 26)	240,897	431,724
Depreciation expense (note 8)	500,328	622,777
<i>Payments not included in the measurement of the lease liability:</i>		
Expenses related to short term leases	187,020	234,032
<b>Net impact for the year</b>	<u>928,245</u>	<u>1,288,533</u>

*Amounts recognised in statement of cash flows:*

Total cash outflows for leases	<u>587,651</u>	<u>455,429</u>
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<b>19 Trade and other payables</b>	<b>2022</b>	<b>2021</b>
Trade payables - related parties	13,131,262	10,182,498
- others	7,575,969	7,707,442
Advances from customers	76,558	41,746
Provisions and accruals	3,292,264	1,611,925
VAT payable - net	414,917	320,390
	<b>24,490,970</b>	<b>19,864,001</b>

**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.

**Transactions with related parties**

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

	<b>For the year ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<u><i>Sale of property, plant and equipment</i></u>		
M/s. Nina Percept Private Limited - India		40,000
<u><i>Sales</i></u>		
M/s. Pidilite East Africa Limited - Kenya	99,542	90,194
<u><i>Purchases</i></u>		
M/s. Pidilite Industries Limited - India	33,140,955	23,402,195
M/s. Pidilite Industries Trading - Egypt		67,737
	<b>33,140,955</b>	<b>23,469,932</b>
<u><i>Intangible assets purchase</i></u>		
M/s. Pidilite Industries Limited - India	320,714	-
<u><i>Royalty expenses</i></u>		
M/s. Pidilite Industries Limited - India	356,494	478,662
<u><i>Administrative expenses charged by related parties</i></u>		
M/s. Pidilite Industries Limited - India	296,501	285,641
M/s. Pidilite Industries Limited - U.A.E.	488,405	478,336
	<b>784,906</b>	<b>763,980</b>
<u><i>Other expenses charged to a related party</i></u>		
M/s. Pidilite Industries Limited - U.A.E.	3,420,936	2,966,969
<u><i>Director's fee</i></u>	20,000	50,000

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		For the year ended March 31,	
		2022	2021
<b>21 Revenue</b>			
Revenue from contracts with customers		<u>66,127,661</u>	<u>54,447,850</u>
<b>21.1 Disaggregated revenue information</b>			
Set out below is the disaggregation of the Entity's revenue from contracts with customers.			
<u>Segments</u>			
Trading		53,086,204	41,224,773
Manufacturing		<u>13,041,457</u>	<u>13,223,077</u>
<b>Total revenue from contracts with customers</b>		<u>66,127,661</u>	<u>54,447,850</u>
The Entity has two reporting segments trading and manufacturing. The Entity sells adhesive materials through trading segment. The Entity manufactures and sells construction chemicals through manufacturing segment.			
<u>Geographical markets</u>			
Within U.A.E.		60,777,550	49,128,699
Within other G.C.C. countries		4,631,524	4,930,518
Others		<u>718,587</u>	<u>388,633</u>
<b>Total revenue from contracts with customers</b>		<u>66,127,661</u>	<u>54,447,850</u>
<u>Timing of revenue recognition</u>			
Revenue recognised at a point in time		<u>66,127,661</u>	<u>54,447,850</u>
<b>Total revenue from contracts with customers</b>		<u>66,127,661</u>	<u>54,447,850</u>

**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 shipped or delivered to the customers, 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,	
		2022	2021
<b>22 Cost of revenue</b>			
Cost of revenue: Trading		45,519,800	35,465,256
Manufacturing		<u>11,059,267</u>	<u>10,980,245</u>
		<u>56,579,067</u>	<u>46,445,501</u>
<u>- Cost of revenue: Trading</u>			
Goods held for trading at the beginning of the year		4,557,911	4,862,000
Purchases (including other expenses)		46,261,759	35,161,167
Goods held for trading at the end of the year (note 9)		<u>(5,299,870)</u>	<u>(4,557,911)</u>
		<u>45,519,800</u>	<u>35,465,256</u>



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		For the year ended March 31,	
		2022	2021
<b>22</b>	<b>Cost of revenue (continued)</b>		
	- <i>Cost of revenue: Manufacturing</i>		
	Raw materials and packing materials at the beginning of the year	3,287,843	2,808,469
	Goods held for trading at the beginning of the year	365,078	545,850
	Purchases	7,895,289	7,776,026
	Salaries and wages	2,006,578	1,827,839
	Other direct expenses	405,421	789,817
	Depreciation on property, plant and equipment (note 6)	1,232,786	1,187,553
	Depreciation on right-of-use asset (note 8)	135,089	168,150
	Raw and packing materials at the end of the year (note 9)	(3,477,825)	(3,287,843)
	Goods held for trading at the end of the year (note 9)	(292,160)	(365,078)
		11,558,099	11,450,783
	Finished goods at the beginning of the year	1,296,769	826,231
	Finished goods at the end of the year (note 9)	(1,795,601)	(1,296,769)
		11,059,267	10,980,245
<b>23</b>	<b>Other income</b>		
	Gain on disposal of property, plant and equipment	7,619	66,440
	Sale of scrap	127,233	70,327
	Foreign currency exchange gain	-	2,425
	Others	48,234	-
		183,086	139,192
<b>24</b>	<b>Selling and distribution expenses</b>		
	Salaries and benefits	1,438,261	1,938,971
	Advertisement and business promotion	623,391	560,360
	Royalty expenses	356,494	478,662
	Distribution expenses	638,591	767,598
	Consulting expenses	2,886,574	2,517,868
	Others	5,490	58,512
		5,948,801	6,321,971



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		For the year ended March 31,	
		2022	2021
<b>25</b>	<b>Administrative expenses</b>		
	Salaries and related benefits	2,799,506	2,704,303
	Legal, professional and related expenses	409,336	560,006
	Telephone and communication	109,248	98,819
	Utilities	92,679	97,102
	Repairs and maintenance	111,944	48,396
	Printing and stationery	53,658	34,480
	Security service charges	102,500	93,680
	Depreciation on property, plant and equipment (note 6)	755,715	803,199
	Depreciation on right-of-use assets (note 8)	365,239	454,627
	Allowance for slow moving inventories (note 9)	161,420	228,309
	Allowance for expected credit loss (note 10)	58,074	399,238
	Bank charges	347,840	207,558
	Others	295,734	246,869
		<u>5,662,893</u>	<u>5,976,586</u>
<b>26</b>	<b>Finance costs</b>		
	Interest on lease liabilities (note 18)	240,897	431,724
	Bank interest	289,168	282,163
		<u>530,065</u>	<u>713,887</u>

**27 Financial instruments**

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,	
	2022	2021	2022	2021
<i>Financial assets</i>	Carrying amount		Fair value	
Trade receivables	23,325,483	19,929,207	23,325,483	19,929,207
Deposits and other receivables	925,447	870,409	925,447	870,409
Cash balances	17,789	9,753	17,789	9,753
	<u>24,268,719</u>	<u>20,809,369</u>	<u>24,268,719</u>	<u>20,809,369</u>
<i>Financial liabilities</i>				
Bank borrowings	18,305,498	16,206,387	18,305,498	16,206,387
Trade and other payables	24,414,412	19,822,255	24,414,412	19,822,255
Lease liabilities	8,151,002	10,334,553	8,151,002	10,334,553
	<u>50,870,912</u>	<u>46,363,195</u>	<u>50,870,912</u>	<u>46,363,195</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	
	2022	2021
Euro	456,273	512,840
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	
	2022	2021
Euro	(9,125)	(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 91,527 (2021: (decrease)/increase by AED 81,032).

### 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, 2022							
<b>Financial assets</b>							
Trade receivables					23,325,483		23,325,483
Deposits and other receivables					925,447		925,447
Cash balances			-	17,789			17,789
				17,789	24,250,930		24,268,719
<b>Financial liabilities</b>							
Bank borrowings	18,305,498				-		18,305,498
Trade and other payables	-	-			24,414,412		24,414,412
Lease liabilities	83,471	348,907	7,718,624	-	-		8,151,002
	18,388,969	348,907	7,718,624		24,414,412		50,870,912



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## 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, 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	74,900	343,166	9,916,487	-	-	-	10,334,553
	16,281,287	343,166	9,916,487	-	19,822,255	-	46,363,195

### 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 Entity is not subject to any externally imposed capital requirements.

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.

## 30 Contingent liabilities

Bank guarantee

As at March 31,	
2022	2021
367,490	-

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

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**31 Commitments**

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

