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

Independent auditor's report and financial statements
For the year ended March 31, 2018

U.A.E.
HORWATH MAK

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

Table of contents

U.A.E.
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Pidilite MEA Chemicals L.L.C.
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Director's report

The Director has pleasure in presenting his report and the audited financial statements for the year ended March 31, 2018.

Principal activities of the Entity:

The Entity is licensed by Dubai Economy 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 of 2018 and 2017 denoted in Arab Emirates Dirham (AED).

Sales	**47,112,088**	41,889,988
Gross profit	**4,957,886**	3,176,273
Gross profit margin	**10.5%**	7.6%
Net (loss) for the year	**(8,387,467)**	(12,469,018)

Going concern:

The Entity has incurred a (loss) of AED 8,387,467 during the year and has accumulated (losses) of AED 62,793,690 as at the reporting date. The management has no intention of discontinuing the operations of the Entity. The shareholder has agreed to provide continued financial support to the Entity hence, the attached financial statements have been prepared on a going concern basis.

Events after year end:

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

Auditors:

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

Statement of Director's responsibilities

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

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

Director
April 26, 2018

U.A.E. HORWATH MAK

Crowe Horwath

Horwath Mak
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Ref: JM/AR/18/11178

Independent auditor's report

To,

The Shareholders
M/s. Pidilite MEA Chemicals L.L.C.
Dubai - United Arab Emirates

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of **M/s. Pidilite MEA Chemicals L.L.C.**, Dubai - United Arab Emirates (the "Entity") which comprise the statement of financial position as at March 31, 2018 and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' 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, 2018 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.

Other matter

The financial statements of the Entity for the year ended March 31, 2017, which are shown as comparatives, were audited by other auditors who expressed an unmodified opinion on those statements on May 04, 2017.

Material uncertainity related to going concern

We draw attention to note - 2 to these financial statements. The Entity has incurred a (loss) of AED 8,387,467 during the year and has accumulated (losses) of AED 62,793,690 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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) 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.

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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.

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 UAE Federal 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 UAE Federal Law No. (2) of 2015 and the Memorandum of the Entity.

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, 2018.

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Report on other legal and regulatory requirements (continued)

6 Note 17 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.

7 Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Entity has contravened, during the financial year ended, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or the Memorandum and Articles of Association of the Entity which would materially affect its activities or its financial position as at March 31, 2018.

For Horwath Mak

James Mathew FCA, CPA (USA)
Senior Partner
Reg. No. 548

April 26, 2018

P.O. Box:262794
DUBAI-U.A.E.
HORWATH MAK

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

Statement of financial position as at March 31, 2018
(In Arab Emirates Dirhams)

	Notes	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	5	**24,551,958**	25,916,302
Intangible asset	6	**979,050**	979,050
Total non-current assets		**25,531,008**	26,895,352
Current assets			
Inventories	7	**7,883,964**	6,822,807
Trade receivables	8	**17,513,653**	12,189,283
Advances, deposits and other receivables	9	**1,285,072**	1,136,277
Due from related parties	17	**143,073**	1,851,501
Cash balances	10	**18,010**	11,783
Total current assets		**26,843,772**	22,011,651
Total assets		**52,374,780**	48,907,003
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	11	**300,000**	300,000
Accumulated (losses)	12	**(62,793,690)**	(54,406,223)
Shareholder's loan	13	**83,739,469**	74,538,969
Total shareholders' equity		**21,245,779**	20,432,746
Non-current liabilities			
Employees' end of service benefits	15	**1,310,130**	1,218,111
Total non-current liabilities		**1,310,130**	1,218,111
Current liabilities			
Bank borrowings	14	**15,692,352**	15,998,709
Trade and other payables	16	**4,838,458**	3,294,459
Due to related parties	17	**9,288,061**	7,962,978
Total current liabilities		**29,818,871**	27,256,146
Total liabilities		**31,129,001**	28,474,257
Total shareholders' equity and liabilities		**52,374,780**	48,907,003

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

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

The financial statements on pages 5 to 25 were approved on April 26, 2018 and signed on behalf of the Entity, by:

Director
Mr. Sohail Badar

U.A.E.
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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, 2018
(In Arab Emirates Dirhams)

	Notes	2018	2017
Sales	18	**47,112,088**	41,889,988
Cost of sales	19	**(42,154,202)**	(38,713,715)
Gross profit		**4,957,886**	3,176,273
Other income	20	**24,867**	92,829
Selling and distribution expenses	21	**(3,488,357)**	(4,473,237)
Administrative expenses	22	**(9,127,338)**	(10,672,601)
Finance costs	23	**(754,525)**	(592,282)
(Loss) for the year		**(8,387,467)**	(12,469,018)
Other comprehensive income		**-**	-
Total comprehensive (loss) for the year		**(8,387,467)**	(12,469,018)

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

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

The financial statements on pages 5 to 25 were approved on April 26, 2018 and signed on behalf of the Entity, by:

Director
Mr. Sohail Badar

Pidilite MEA Chemicals L.L.C.

Dubai - United Arab Emirates

Statement of changes in shareholders' equity for the year ended March 31, 2018

(In Arab Emirates Dirhams)

	Share capital	Accumulated (losses)	Shareholder's loan	Total shareholders' equity
Balance as at March 31, 2016	300,000	(41,937,205)	68,084,969	26,447,764
(Loss) for the year	-	(12,469,018)	-	(12,469,018)
Net movements during the year	-	-	6,454,000	6,454,000
Balance as at March 31, 2017	300,000	(54,406,223)	74,538,969	20,432,746
(Loss) for the year	-	(8,387,467)	-	(8,387,467)
Net movements during the year	-		9,200,500	9,200,500
Balance as at March 31, 2018	**300,000**	**(62,793,690)**	**83,739,469**	**21,245,779**

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

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

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

Statement of cash flows for the year ended March 31, 2018
(In Arab Emirates Dirhams)

	2018	2017
Cash flows from operating activities		
(Loss) for the year	**(8,387,467)**	(12,469,018)
Adjustments for:		
(Gain) on disposal of property, plant and equipment	**(19,999)**	(74,965)
Depreciation on property, plant and equipment	**2,000,602**	1,941,394
Allowance for slow moving inventories	**287,805**	743,293
Allowance for doubtful debts	**1,070,176**	680,333
Bad debts written off	**637,749**	-
Finance cost	**754,525**	592,282
Provision for employees' end of service benefits	**300,111**	311,157
Operating (loss) before changes in operating assets and liabilities	**(3,356,498)**	(8,275,524)
(Increase)/decrease in assets		
Inventories	**(1,348,962)**	(40,809)
Trade receivables	**(6,394,546)**	480,708
Advances, deposits and other receivables	**(148,795)**	(49,192)
Due from related parties	**1,070,679**	(1,753,012)
Increase/(decrease) in liabilities		
Due to related parties	**1,325,083**	(1,480,902)
Trade and other payables	**1,543,999**	(149,053)
Cash (used in) operations	**(7,309,040)**	(11,267,784)
Employees' end of services benefits paid	**(208,092)**	(90,380)
Net cash (used in) operating activities	**(7,517,132)**	(11,358,164)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(636,258)**	(282,404)
Proceeds from sale of property, plant and equipment	**19,999**	74,969
Net cash (used in) investing activities	**(616,259)**	(207,435)
Cash flows from financing activities		
Shareholder's loan	**9,200,500**	6,454,000
Finance cost paid	**(754,525)**	(592,282)
Net cash from financing activities	**8,445,975**	5,861,718
Net increase/(decrease) in cash and cash equivalents	**312,584**	(5,703,881)
Cash and cash equivalents, beginning of the year	**(15,986,926)**	(10,283,045)
Cash and cash equivalents, end of the year	**(15,674,342)**	(15,986,926)
Cash and cash equivalents		
Cash in hand	**18,010**	11,783
Bank overdrafts	**(15,692,352)**	(15,998,709)
	(15,674,342)	(15,986,926)

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

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

U.A.E. HORWATH MAK

1 Legal status and business activities

1.1 **M/s. Pidilite MEA Chemicals (L.L.C.)**, Dubai - United Arab Emirates (the "Entity") was registered 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 by Dubai Economy to engage in manufacturing and trading of acid, gum & glue, paint, varnish, insulation materials, adhesives, industrial solvents and construction chemicals.

1.3 The registered address of the Entity is P.O. Box: 120657, Dubai - United Arab Emirates.

1.4 The management and control is vested with the Director, Mr. Sohail Badar (Indian national).

1.5 These financial statements incorporate the operating results of the Industrial license no. 570849.

1.6 These financial statements also incorporate operating results of M/s. Pidilite MEA Chemicals L.L.C. - (Branch), Dubai - United Arab Emirates Industrial license no. 600238.

2 Material uncertainty related to going concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Entity has incurred a (loss) of AED 8,387,467 during the year and has accumulated (losses) of AED 62,793,690 as at the reporting date.

The shareholder has agreed to provide necessary financial support to enable the Entity to continue its operations and settle its obligations as and when they fall due. The shareholder contributed loan of AED 83,739,469 (2017: AED 74,538,969) as at reporting date. The management has no intentions to discontinue the operations of the Entity. Accordingly, these financial statements do not include any adjustments relating to their recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Entity be unable to continue as a going concern.

3 New and amended standards

3.1 New and revised IFRSs applied with no material effect on the financial statements

The Entity has applied the following standards and amendments for the first time for their annual reporting period commencing January 01, 2017. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Amendments in Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows) that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Annual Improvements to IFRSs 2014-2016 cycles: The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for summarized financial information.

The following amended standards and interpretations are not expected to have significant impact on the Entity's financial statements;

New and revised standards and amendments	**Effective for annual periods beginning on or after**
Annual Improvements to IFRS Standards 2014–2016 Cycle on 8 December 2016, amending the standards: IFRS 1- First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures.	January 1, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration: The interpretation clarifies the date of the transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency denominated contracts.	January 1, 2018

3 New and amended standards (continued)

3.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised standards and amendments	Effective for annual periods beginning on or after
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2-Share-based Payment) contains the clarifications and amendments: The amendments pertains to accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payment transactions with net settlement features; accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight.	January 1, 2018
IFRS 9 "Financial Instruments": Issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements).	January 1, 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) to address concerns about the different effective dates of IFRS 9 and the new insurance contracts standard. An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9.	January 1, 2018
IFRS 9 "Financial Instruments": Prepayment Features with Negative Compensation (Amendments to IFRS 9) to address the concerns about how IFRS 9 classifies particular prepayable financial assets. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019; early application is permitted.	January 1, 2019
Amended by Transfers of Investment Property (Amendments to IAS 40- Investment Property): An entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.	July 1, 2018
IFRS 15 "Revenue from Contracts with Customers": IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations when it becomes effective.	January 1, 2018
IFRS 16 "Leases": The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations. Earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.	January 1, 2019

3 New and amended standards (continued)

3.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised standards and amendments	Effective for annual periods beginning on or after
IFRS 17 -Insurance Contracts was issued in May 2017 as a replacement of IFRS 4-Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period.	January 1, 2021

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

4 Significant accounting policies

4.1 Statement of compliance

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

4.2 Basis of preparation

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

The principal accounting policies applied in these financial statements are set out below.

4.3 Current/Non current classification

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

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

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

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

The Entity classifies all other liabilities as non-current.

4.4 Fair value measurement

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

In the principal market for the asset or liability, or

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

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

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

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

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4 Significant accounting policies (continued)

4.5 Foreign currency

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

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

4.6 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Entity and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

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

	Years
Office building	20
Plant and machinery	10
Vehicles	4
Furniture and fixtures	5
Tools and lab equipments	5
Office equipments	5

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

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

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

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

4.7 Intangible assets

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

Trademarks

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

U.A.E. HORWATH MAK

4 Significant accounting policies (continued)

4.8 Impairment of tangible and intangible assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

4.9 Financial instruments

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

4.10 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Entity's loans and receivables comprise "trade and other receivables", "due from related parties" and "cash and cash equivalents" in the statement of financial position. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

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.

U.A.E. HORWATH MAK

4 Significant accounting policies (continued)

4.10 Financial assets (continued)

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost reduced by appropriate allowance for estimated doubtful debts.

Due from related parties

Due from related parties are measured at amortised cost.

Impairment of financial assets

Assets carried at amortised cost

The Entity assesses at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Entity may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

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 amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognise the financial asset.

4.11 Financial liabilities

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

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.

U.A.E. HORWATH MAK

4 Significant accounting policies (continued)

4.11 Financial liabilities (continued)

Due to related parties

Amounts due to related parties are stated at amortised cost.

Loans and borrowings

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

Derecognition of financial liabilities

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

4.12 Offsetting financial instruments

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

4.13 Inventories

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

4.14 Provisions

Provisions are recognised when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

U.A.E. HORWATH MAK

4 Significant accounting policies (continued)

4.16 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in policy notes, the management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Critical judgements in applying accounting policies

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

Revenue recognition

Under normal circumstances, in recognising the revenue the management is of the view that in line with the requirement of IAS 18 "Revenue", the risk and reward of ownership is transferred to the buyers of the goods and services and that revenue is reduced for the estimated returns, rebate and other allowances (if any).

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 life, which are based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

Allowance for doubtful debts

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

Operating lease expenses

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

Net realisable value of inventories

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

U.A.E. HORWATH MAK

5 Property, plant and equipment

	Office Building	Plant and machinery	Tools and lab equipments	Vehicles	Furniture and fixtures	Office equipments	Total
Cost							
As at March 31, 2016	23,486,086	6,556,406	397,807	686,990	679,463	471,224	32,277,976
Addition during the year	116,306	95,778	41,871	-	1,775	26,674	282,404
Disposal during the year	-	(123,019)	-	-	-	-	(123,019)
Balance as at March 31, 2017	23,602,392	6,529,165	439,678	686,990	681,238	497,898	32,437,361
Addition during the year	35,000	339,004	-	252,020	7,580	2,654	636,258
Disposal during the year	-	(150,000)	-	(87,500)	-	-	(237,500)
Balance as at March 31, 2018	**23,637,392**	**6,718,169**	**439,678**	**851,510**	**688,818**	**500,552**	**32,836,119**
Accumulated depreciation							
As at March 31, 2016	1,348,295	2,185,468	320,394	383,569	268,403	196,551	4,702,680
Charge for the year	1,176,132	454,109	24,713	107,374	92,260	86,806	1,941,394
Eliminated on disposal during the year	-	(123,015)	-	-	-	-	(123,015)
Balance as at March 31, 2017	2,524,427	2,516,562	345,107	490,943	360,663	283,357	6,521,059
Charge for the year	1,180,132	490,295	23,609	126,788	91,625	88,153	2,000,602
Eliminated on disposal during the year	-	(150,000)	-	(87,500)	-	-	(237,500)
Balance as at March 31, 2018	**3,704,559**	**2,856,857**	**368,716**	**530,231**	**452,288**	**371,510**	**8,284,161**
Carrying value as at March 31, 2018	**19,932,833**	**3,861,312**	**70,962**	**321,279**	**236,530**	**129,042**	**24,551,958**
Carrying value as at March 31, 2017	21,077,965	4,012,603	94,571	196,047	320,575	214,541	25,916,302

Note:

- Buildings, plant and machinery are erected on plots of land obtained on long term leases from third parties (note 28).
- Depreciation includes AED 513,904 (2017: AED 478,822) is charged to cost of sales (note 19).

		2018	2017
6	**Intangible asset**		
	Trademark	**979,050**	979,050

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.

		2018	2017
7	**Inventories**		
	Raw materials	**1,399,768**	1,508,308
	Packing materials	**323,208**	259,259
	Spare parts	**177,621**	146,649
	Finished goods	**5,054,255**	4,121,884
		6,954,852	6,036,100
	Goods-in-transit	**2,068,580**	1,638,370
	Less: Allowances for slow moving inventories	**(1,139,468)**	(851,663)
		7,883,964	6,822,807

Allowance for slow moving inventories

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

Balance at the beginning of the year	**851,663**	108,370
Charge during the year (note 22)	**287,805**	743,293
Balance at the end of the year	**1,139,468**	851,663

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

8	**Trade receivables**		
	Trade receivables	**19,836,240**	13,441,694
	Less: Allowance for doubtful debts	**(2,322,587)**	(1,252,411)
		17,513,653	12,189,283

The average credit period for the accounts receivable is 90/120 days (2017: 90/120 days). Provisions are based on the estimated irrecoverable amounts determined by reference to the ageing of overdue receivables.

Included in the Entity's trade receivables are debtors with a carrying amount of AED 3,466,401 (2017: AED 1,961,258) which are past due at the reporting date for which the Entity has not provided for, as there has not been a significant change in the credit quality and the amounts are still considered recoverable.

Ageing of trade receivables:		
Neither past due nor impaired	**14,047,252**	10,228,025
Past due but not impaired:		
Due within 6 months	**3,196,990**	1,665,301
Due between 7 - 12 months	**269,411**	295,957
	17,513,653	12,189,283

Allowance for doubtful debts

The movements in the allowance for doubtful debts as at the reporting date are as follows:

Balance at the beginning of the year	**1,252,411**	759,948
Charge during the year	**1,070,176**	680,333
Reversal during the year	**-**	(187,870)
Balance at the end of the year	**2,322,587**	1,252,411

	2018	2017
8 Trade receivables (continued)		
Geographical analysis:		
The geographical analysis of trade receivables are as follows:		
Within U.A.E.	**17,810,018**	12,189,630
Outside U.A.E.	**2,026,221**	1,252,064
	19,836,240	13,441,694
9 Advances, deposits and other receivables		
Prepayments	**783,910**	730,700
Deposits	**458,331**	368,180
Staff loans and advances	**42,831**	37,397
	1,285,072	1,136,277
10 Cash balances		
Cash in hand	**18,010**	11,783

11 Share capital

The authorized, issued and paid up capital of the Entity is AED 300,000 divided into 300 shares of AED 1,000 each fully paid. M/s. Pidilite Industries Limited - India is the ultimate owner of the Entity.

	2018	2017
12 Accumulated (losses)		
Balance at the beginning of the year	**(54,406,223)**	(41,937,205)
(Loss) for the year	**(8,387,467)**	(12,469,018)
Balance at the end of the year	**(62,793,690)**	(54,406,223)
13 Shareholder's loan		
M/s. Pidilite Middle East Limited		
Balance at the beginning of the year	**74,538,969**	68,084,969
Availed during the year	**9,200,500**	6,454,000
Balance at the end of the year	**83,739,469**	74,538,969

The above loan is unsecured, interest free and without any fixed maturity period.

	2018	2017
14 Bank borrowings		
Bank overdrafts	**15,692,352**	15,998,709

The above borrowings are secured by corporate guarantee of the ultimate owner.

	2018	2017
15 Employees' end of service benefits		
Balance at the beginning of the year	**1,218,111**	997,334
Add: Charge for the year	**300,111**	311,157
Less: Paid during the year	**(208,092)**	(90,380)
Balance at the end of the year	**1,310,130**	1,218,111

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 the reporting period.

	2018	2017
16 Trade and other payables		
Trade payables	**3,587,070**	2,520,636
Provisions and accruals	**818,624**	773,823
Tax payable	**432,764**	-
	4,838,458	3,294,459

U.A.E. HORWATH MAK

17 Related party transactions

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

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

a) Due from related parties	2018	2017
Entities under common management and control		
M/s. Plus Call Technical Services LLC - U.A.E.	**143,073**	292,903
M/s. Pulvitec do Brasil Industria e Comercio de Colas e Adesivos Ltd - Brazil	-	23,303
M/s. Building System Solution Trading WLL - Qatar *	-	1,535,295
	143,073	1,851,501

b) Due to related parties	2018	2017
Entities under common management and control		
M/s. Pidilite Industries Limited - India	**9,153,997**	7,962,978
M/s. Pidilite Industries Trading - Egypt	**134,064**	-
	9,288,061	7,962,978

c) Transactions with related parties

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

	For the year ended March 31,	
	2018	2017
<u>*Sales*</u>		
M/s. Plus Call Technical Services LLC - U.A.E.	**107,285**	496,055
M/s. Building System Solution Trading WLL - Qatar *	**111,046**	1,317,555
	218,331	1,813,610
Purchases		
M/s. Pidilite Industries Limited - India	**27,358,451**	25,195,723
M/s. Pidilite Industries Trading - Egypt	**201,096**	-
	27,559,547	25,195,723
Royalty expenses		
M/s. Pidilite Industries Limited - India	**325,690**	243,347
Other expenses		
M/s. Pidilite Industries Limited - India	**219,316**	302,721
Sale of property, plant and equipments		
M/s. Pidilite Industries Limited - India	-	22,969
Director's fee	**20,000**	20,000

* Due to disposal of entire stake in M/s. Building System Solution Trading WLL - Qatar by Parent company (M/s. Pidilite Middle East Limited - U.A.E.) vide agreement dated December 12, 2017, it ceased to be a related party effective from agreement date.

	For the year ended March 31,	
	2018	2017
18 Sales		
Sales : Trading	**34,895,662**	34,088,474
Manufacturing	**12,216,426**	7,801,514
	47,112,088	41,889,988

	For the year ended March 31, 2018	2017
18 Sales (continued)		
Geographical analysis:		
Sales : Within U.A.E.	**44,358,642**	37,723,994
Outside U.A.E.	**2,753,446**	4,165,994
	47,112,088	41,889,988
19 Cost of sales		
Raw and packing materials at beginning of the year	**1,767,567**	1,192,167
Finished goods at beginning of the year	**4,121,884**	5,129,541
Purchases	**39,061,697**	34,353,867
Subcontracting expenses	**1,076,195**	1,130,667
Salaries and wages	**1,651,696**	1,624,550
Other direct expenses	**738,490**	693,552
Depreciation on property, plant and equipment (note 5)	**513,904**	478,822
Raw and packing materials at the end of the year (note 7)	**(1,722,976)**	(1,767,567)
Finished goods at the end of the year (note 7)	**(5,054,255)**	(4,121,884)
	42,154,202	38,713,715
20 Other income		
Gain on sale of property, plant and equipment	**19,999**	74,965
Sale of scrap	**4,868**	17,784
Others	**-**	80
	24,867	92,829
21 Selling and distribution expenses		
Salaries and benefits	**1,449,002**	2,080,935
Advertisement and business promotion	**657,059**	1,407,458
Royalty expenses	**325,689**	243,347
Distribution expenses	**1,056,607**	741,497
	3,488,357	4,473,237
22 Administrative expenses		
Salaries and related benefits	**3,143,322**	4,290,310
Rent	**531,105**	416,892
Legal, visa, professional and related expenses	**1,155,430**	2,073,942
Utilities	**100,351**	97,290
Printing and stationery	**53,545**	135,323
Repairs and maintenance	**111,602**	137,266
Security service charges	**96,000**	88,800
Telephone and communication	**162,784**	198,791
Vehicle running and maintenance	**163,299**	157,137
Bad debts written off	**637,749**	-
Travelling	**62,025**	99,404
IT and website related expenses	**11,971**	57,080
Depreciation on property, plant and equipment (note 5)	**1,486,698**	1,462,572
Allowances for slow moving inventories (note 7)	**287,805**	743,293
Allowances for doubtful debts (note 8)	**1,070,176**	680,333
Others	**53,476**	34,168
	9,127,338	10,672,601

HORWATH MAK U.A.E.

		For the year ended March 31,	
		2018	2017
23	**Finance costs**		
	Bank charges	**245,529**	242,014
	Bank interest	**508,996**	350,268
		754,525	592,282

24 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 4 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,	
	2018	2017	**2018**	2017
	Carrying amount		**Fair value**	
Financial assets				
Trade receivables	**17,513,653**	12,189,283	**17,513,653**	12,189,283
Deposits and other receivables	**501,162**	405,577	**501,162**	405,577
Due from related parties	**143,073**	1,851,501	**143,073**	1,851,501
Cash balances	**18,010**	11,783	**18,010**	11,783
	18,175,898	14,458,144	**18,175,898**	14,458,144
Financial liabilities				
Bank borrowings	**15,692,352**	15,998,709	**15,692,352**	15,998,709
Due to related parties	**9,288,061**	7,962,978	**9,288,061**	7,962,978
Trade and other payables	**4,838,458**	3,294,459	**4,838,458**	3,294,459
	29,818,871	27,256,146	**29,818,871**	27,256,146

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

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

25 Financial risk management objectives

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

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

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

HORWATH MAK

25 Financial risk management objectives (continued)

a) *Foreign currency risk management*

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

The Entity does not have any significant exposure to currency risk, as most of its assets and liabilities are denominated in U.A.E. Dirhams.

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.

c) *Liquidity risk management*

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

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

Liquidity and interest risk tables:

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:

	Interest bearing		Non Interest bearing		
Particulars	**Within 1 year**	**More than 1 year**	**Within 1 year**	**More than 1 year**	**Total**
			As at March 31, 2018		
Financial assets					
Trade receivables	-	-	17,513,653	-	17,513,653
Deposits and other receivables	-	-	501,162	-	501,162
Due from related parties	-	-	143,073	-	143,073
Cash balances	-	-	18,010	-	18,010
	-	-	18,175,898	-	18,175,898
Financial liabilities					
Bank borrowings	15,692,352	-	-	-	15,692,352
Due to related parties	-	-	9,288,061	-	9,288,061
Trade and other payables	-	-	4,838,458	-	4,838,458
	15,692,352	-	14,126,519	-	29,818,871

25 Financial risk management objectives (continued)

c) *Liquidity risk management (continued)*

Liquidity and interest risk tables (continued)

	Interest bearing		Non Interest bearing		
Particulars	**Within 1 year**	**More than 1 year**	**Within 1 year**	**More than 1 year**	**Total**
			As at March 31, 2017		
Financial assets					
Trade receivables	-	-	12,189,283	-	12,189,283
Deposits and other receivables	-	-	405,577	-	405,577
Due from related parties	-	-	1,851,501	-	1,851,501
Cash balances	-	-	11,783	-	11,783
	-	-	14,458,144	-	14,458,144
Financial liabilities					
Due to related parties	-	-	7,962,978	-	7,962,978
Bank borrowings	15,998,709	-	-	-	15,998,709
Trade and other payables	-	-	3,294,459	-	3,294,459
	15,998,709	-	11,257,437	-	27,256,146

d) *Credit risk management*

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

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

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

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

26 Capital risk management

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

27 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.

28 Commitments

a) Operating lease commitments

Operating lease relates to office, plant and warehouse premises at Dubai Investments Park, Dubai - United Arab Emirates. The Entity does not have an option to purchase the leased asset at the expiry of lease period.

	As at March 31,	
	2018	2017
Non-cancelable operating lease commitments:		
Not longer than 1 year	**560,556**	500,980
Longer than 1 year and not longer than 5 years	**2,274,720**	2,266,596
Longer than 5 years	**7,487,620**	8,056,300

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

29 Reclassification

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

	2017 Previously reported	Reclassification	2017 Currently reported
Reclassifications in cost of sales	38,889,461	(175,746)	38,713,715
Reclassifications in selling, general and administration expenses	14,961,418	(14,961,418)	-
Reclassifications in selling and distribution expenses	-	4,473,237	4,473,237
Reclassifications in administrative expenses	-	10,672,601	10,672,601
Reclassifications in finance costs	600,956	(8,674)	592,282

U.A.E. HORWATH MAK