

**LAXMI PETROCHEM
MIDDLE EAST FZE**

Financial Statements

31 March 2021

Registered office:

E-58G-12,
P.O. Box 52700
Hamriyah Free Zone
Sharjah, U.A.E.

LAXMI PETROCHEM MIDDLE EAST FZE

Financial Statements

31 March 2021

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LAXMI PETROCHEM MIDDLE EAST FZE

Manager's Report

The manager submits his report and accounts for the year ended 31 March 2021.

Results and dividend

The profit for the year amounted to AED 1,695,197/-.

To conserve the financial resources of the company, no dividend is proposed by the director for the year.

Review of the business

The establishment is registered to carry out activity of general trading. During the year, the establishment has mainly traded in petrochemicals.

Significant event during the year

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent of its duration and its economic impact on the business of the establishment. The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time.

Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements. However, these developments could impact our future financial results, cash flows and financial condition.

Events since the end of the year

There were no significant events, which have occurred since the year-end that materially affect the establishment.


Shareholder and its interest:

The sole shareholder as at 31 March 2021 and its interest as at that date, in the share capital of the establishment was as follows:

<u>Name of the shareholder</u>	<u>Country of Incorporation</u>	<u>No. of shares</u>	<u>AED</u>
Laxmi Organic Industries Limited	India	34	34,000

Auditors

A resolution to re-appoint **KSI Shah & Associates** as auditors and fix their remuneration will be put to the board at the annual general meeting.


Mr. Vinod Bhassin
 Manager



Independent Auditors' Report to the Shareholder/Board of directors of LAXMI PETROCHEM MIDDLE EAST FZE

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **LAXMI PETROCHEM MIDDLE EAST FZE** (the "Establishment"), which comprises of the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and explanatory notes.

In our opinion, the financial statements present fairly, in all material respects the financial position of the establishment as of 31 March 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Establishment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the UAE, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Purpose of audit

These financial statements are not statutory financial statements of the Company and have been prepared for management purpose only to enable "Laxmi Organics Industries Limited ("Parent Company") to prepare their consolidated financial statements. Accordingly, this report should not be used by any other person or for any other purpose.

Other Information

Management is responsible for the other information. Other information comprises the manager's report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditors' Report to the Shareholder/Board of directors of LAXMI PETROCHEM MIDDLE EAST FZE

Report on the Audit of the Financial Statements (contd.)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we concluded that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The 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.

Independent Auditors' Report to the Shareholder/Board of directors of LAXMI PETROCHEM MIDDLE EAST FZE

Report on the Audit of the Financial Statements (contd.)

- 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 Company'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 Company'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 Establishment to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KSI Shah & Associates
For KSI Shah & Associates
Dubai, U.A.E.

Signed by:
Sonal P. Shah (Registration No. 123)



29 April 2021

LAXMI PETROCHEM MIDDLE EAST FZE**Statement of Financial Position***At 31 March 2021*


	<i>Notes</i>	<i>2021 AED</i>	<i>2020 AED</i>
ASSETS			
Current assets			
Trade and other receivables	6	17,631,058	8,886,112
Prepayments		24,970	25,172
Cash and cash equivalents	7	73,466	278,258
		<u>17,729,494</u>	<u>9,189,542</u>
TOTAL ASSETS		<u>17,729,494</u>	<u>9,189,542</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	8	34,000	34,000
Accumulated profits/ (losses)		96,486	(1,598,711)
Equity funds		130,486	(1,564,711)
Directors' current accounts	9	16,000	16,000
Shareholder's loan account	10	154,136	154,136
Total equity		<u>300,622</u>	<u>(1,394,575)</u>
Current liabilities			
Trade and other payables	11	9,255,481	6,117,249
Bank borrowings	12	8,173,391	4,466,868
		<u>17,428,872</u>	<u>10,584,117</u>
TOTAL EQUITY AND LIABILITIES		<u>17,729,494</u>	<u>9,189,542</u>

The accompanying notes 1 to 20 form an integral part of these financial statements.

The Independent Auditors' Report is set forth on pages 2 to 4.

Approved by the shareholder/ board of directors on 29th April 2021 and signed on their behalf by:

For LAXMI PETROCHEM MIDDLE EAST FZE


Mr. Vinod Bhassin
 Director



LAXMI PETROCHEM MIDDLE EAST FZE

Statement of Comprehensive Income
for the year ended 31 March 2021

	<i>Notes</i>	<i>2021 AED</i>	<i>2020 AED</i>
Sales		48,497,065	31,345,371
Cost of sales	13, 14	(44,729,001)	(29,464,216)
Gross profit		3,768,064	1,881,155
Other income		1,841	36,473
Expenses	15	(1,787,262)	(3,315,176)
Profit/ (loss) from operation		1,982,643	(1,397,548)
Finance costs	16	(287,446)	(618,652)
Profit/ (loss) for the year		1,695,197	(2,016,200)
Other comprehensive income		-	-
Total comprehensive income for the year		<u>1,695,197</u>	<u>(2,016,200)</u>

The accompanying notes 1 to 20 form an integral part of these financial statements.

LAXMI PETROCHEM MIDDLE EAST FZE

Statement of Changes in Equity
for the year ended 31 March 2021

	<i>Share Capital</i>	<i>Accumulated profits/ (losses)</i>	<i>Directors' current accounts</i>	<i>Shareholder's loan account</i>	<i>Total</i>
	<u><i>AED</i></u>	<u><i>AED</i></u>	<u><i>AED</i></u>	<u><i>AED</i></u>	<u><i>AED</i></u>
As at 31 March 2019	34,000	417,489	16,000	154,136	621,625
(Loss) for the year	_____ -	<u>(2,016,200)</u>	_____ -	_____ -	<u>(2,016,200)</u>
As at 31 March 2020	34,000	(1,598,711)	16,000	154,136	(1,394,575)
Profit for the year	_____ -	<u>1,695,197</u>	_____ -	_____ -	<u>1,695,197</u>
As at 31 March 2021	<u>34,000</u>	<u>96,486</u>	<u>16,000</u>	<u>154,136</u>	<u>300,622</u>

The accompanying notes 1 to 20 form an integral part of these financial statements.

LAXMI PETROCHEM MIDDLE EAST FZE

Statement of Cash Flows

for the year ended 31 March 2021

	<i>Notes</i>	<i>2021</i> <i>AED</i>	<i>2020</i> <i>AED</i>
<u>Cash flows from operating activities</u>			
Profit/ (loss) for the year		1,695,197	(2,016,200)
Adjustment for:			
Finance costs		<u>287,446</u>	<u>618,652</u>
Operating profit/ (loss) before working capital changes		1,982,643	(1,397,548)
Changes in trade and other receivables		(8,744,946)	(824,386)
Changes in prepayments		202	53,160
Changes in trade and other payables		<u>3,138,232</u>	<u>1,397,385</u>
Net cash (used in) operating activities		<u>(3,623,869)</u>	<u>(771,389)</u>
<u>Cash flows from financing activities</u>			
Changes in trust receipt loans		3,706,523	979,809
Finance costs		<u>(287,446)</u>	<u>(618,652)</u>
Net cash from financing activities		<u>3,419,077</u>	<u>361,157</u>
Net changes in cash and cash equivalents		(204,792)	(410,232)
Cash and cash equivalents at beginning of the year		<u>278,258</u>	<u>688,490</u>
Cash and cash equivalents at end of the year	7	<u><u>73,466</u></u>	<u><u>278,258</u></u>

The accompanying notes 1 to 20 form an integral part of these financial statements.

LAXMI PETROCHEM MIDDLE EAST FZE

(Incorporated in the Hamriyah Free Zone Authority, Sharjah, U.A.E.)

(Registration No 11050)

Notes to the Financial Statements

for the year ended 31 March 2021

1. Legal status and business activity

- a) **LAXMI PETROCHEM MIDDLE EAST FZE** is a Free Zone Establishment with limited liability registered on 16 December 2012 in the Hamriyah Free Zone, Sharjah, U.A.E. under commercial license number 10117 in accordance with provisions of Hamriyah Free Zone Authority regulations.
- b) The establishment is registered to carry out activity of general trading. During the year the establishment has mainly traded in petrochemicals.
- c) These financial statements are not statutory financial statements of the Company and have been prepared for the management purpose only to enable "Laxmi Organics Industries Limited ("Parent Company") to prepare their consolidated financial statements.

2. Basis of preparation

a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2020 and the implementing rules and regulations of the Hamriyah Free Zone Authority.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the establishment takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

c) Functional and presentation currency

These financial statements are presented in UAE Dirhams, which is the establishment's functional and presentation currency.

3. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

LAXMI PETROCHEM MIDDLE EAST FZE

Notes to the Financial Statements for the year ended 31 March 2021

Use of estimates and judgments (contd.)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

As a result of the COVID-19 and the resulting disruptions to the social and economic activities, the establishment continues to assess regularly the impact of COVID-19 on its business, in particular the estimation of expected credit loss/fair value and collectability of trade receivables. The management considered several foreseeable areas of operational risk and implemented various measures to ensure the continuity of the operations and the ability of the organization to cope with the lock-down situation.

Judgments made in applying accounting policies

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Revenue from contracts with customers

Sale of goods

■ Timing for transfer of control of goods:

In case of performance obligation satisfied at point in time, the control of goods is transferred, when physical delivery of the goods to the agreed location has occurred, as a result, the establishment has a present right to payment and retains none of the significant risks and rewards of the goods.

■ Financing components

The establishment does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the establishment does not adjust any of the transaction prices for the time value of money.

■ Determining the transaction price:

The establishment's revenue from sale of goods is derived from fixed price contracts with customers and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Based on the historical performance of the establishment, it is highly probable that there will not be reversal of previously recognized revenue on account of the return of goods or volume rebates.

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Notes to the Financial Statements for the year ended 31 March 2021

Revenue from contracts with customers (contd.):

■ Allocating the transaction prices:

There is a fixed unit price for each item sold to the customer. Therefore, there is no judgment involved in allocating the contract price to each unit ordered in contracts with customers. Where a customer orders more than one item, the establishment is able to determine the split of the total contract price between each item by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

■ Provision of rights to return goods, volume rebates and other similar obligations:

The establishment reviews its estimate of expected returns at each reporting date on basis of the historical data for the returns, rebates and other similar obligations and updates the amounts of the asset and liability accordingly.

Financial assets at amortized cost

The establishment classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest

Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty and assumptions at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of financial assets

The loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The establishment uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4. Adoption of new and revised International Financial Reporting Standards

a) New and revised International Financial Reporting Standards

The following International Financial Reporting Standards, amendments thereto and interpretations issued by IASB that became effective for the current reporting period:

LAXMI PETROCHEM MIDDLE EAST FZE

Notes to the Financial Statements for the year ended 31 March 2021

New and revised International Financial Reporting Standards (contd.):

- Amendments to IAS 1 and IAS 8 - Definition of Material
- Amendments to IFRS 3 - Definition of a Business;
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform;
- Amendments to References to Conceptual Framework in IFRS standards;

During the current year, the management has adopted the above standards and amendments to the extent applicable to them from the financial reporting period commencing on or after 01 January 2020.

These amendments have no significant impact on the amounts reported in these financial statements.

b) International Financial Reporting Standards in issue but not effective

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16- Interest Rate Benchmark Reform-phase 2. The effective date of the amendments is set for annual periods beginning on or after 1 January 2021.

Amendments to IAS 16-Property, Plant and Equipment: Proceeds before Intended Use The effective date of the amendments is set for annual periods beginning on or after 1 January 2022.

Amendments to IAS 37-Onerous Contracts – Cost of Fulfilling a Contract (The effective date of the amendments is set for annual periods beginning on or after 1 January 2022.

References to the Conceptual Framework (Amendments to IFRS 3) - The effective date of the amendments is set for annual periods beginning on or after 1 January 2022.

Annual Improvements to IFRS Standards 2018–2020 – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture. The effective date of the amendments is set for annual periods beginning on or after 1 January 2022.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current - The effective date of the amendments is set for annual periods beginning on or after 1 January 2023.

IFRS17 -Insurance Contracts- The effective date of the standard is set for annual periods beginning on or after 1 January 2023.

Amendments to IFRS 10 and IAS 28-Sale or Contribution of Assets between and investor and its Associate or Joint Venture. The effective date of these amendments is deferred indefinitely.

The establishment has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

LAXMI PETROCHEM MIDDLE EAST FZE

Notes to the Financial Statements for the year ended 31 March 2021

5. Significant accounting policies:

a) Financial instruments

i. Recognition and Initial measurement

The establishment recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs that are directly attributable in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition.

ii. Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified as follows:

Financial assets at amortized cost (debt instruments)

Financial assets that are held within a business model whose objective is to hold the asset in order to collect contractual cash flows that are solely payments of principal and interest are subsequently measured at amortized cost less impairments, if any. Interest income calculated using effective interest rate (EIR) method and impairment loss, if any are recognised in the statement of profit and loss. Gains and losses are recognised in profit or loss when the asset is derecognized, modified or impaired.

The establishment's financial assets at amortised cost include trade and other receivables and cash and cash equivalents. Due to the short term nature of these financial assets, their carrying amounts are considered to be the same as their fair value.

iii. Classification and subsequent measurement of financial liabilities

For the purpose of subsequent measurement, financial liabilities are classified as follows:

- Amortised cost - Financial liabilities are classified as financial liabilities at amortised cost by default. Interest expense calculated using EIR method is recognised in the statement of profit and loss.
- Fair values through profit or loss (FVTPL) - Financial liabilities are classified as FVTPL if it is held for trading, or is designated as such on initial recognition. Changes in fair value and interest expense on these liabilities are recognised in the statement of profit and loss.

The establishment's financial liabilities include trade and other payables and bank borrowings. The carrying amounts of these financial liabilities are considered as to be the same as their fair values, due to their short term nature.

LAXMI PETROCHEM MIDDLE EAST FZE

Notes to the Financial Statements for the year ended 31 March 2021

iv. Derecognition of financial assets and financial liabilities

Financial assets are de-recognised when, and only when,

- The contractual rights to receive cash flows expire or
- The Establishment has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - a) the establishment has transferred substantially all the risks and rewards of the asset, or
 - b) the establishment has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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.

v. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

vi. Impairment of financial assets

The Establishment recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Establishment expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognized in two stages.

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months.
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade and other receivables, the Establishment applies a simplified approach in calculating expected credit losses. The Establishment does not track changes in credit risk, but instead recognised a loss allowance based on lifetime expected credit losses at each reporting date.

LAXMI PETROCHEM MIDDLE EAST FZE

Notes to the Financial Statements for the year ended 31 March 2021

b) Foreign currency transactions

Transactions in foreign currencies are converted into U.A.E. Dirhams at the rate of exchange ruling on the date of the transaction.

Assets and liabilities expressed in foreign currencies are translated into U.A.E. Dirhams at the rate of exchange ruling at the balance sheet date.

Resulting gain or loss is taken to the Statement of comprehensive income.

c) Provisions

Provisions are recognized when the establishment has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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

d) Leases

The Establishment as lessee

Short-term leases and leases of low value assets

The Establishment applies the short-term lease recognition exemption to its short-term leases office premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

e) Revenue recognition

Sale of goods

The establishment has mainly traded into petrochemicals.

Revenue from sale of goods is recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customers and have been accepted by the customers at their premises and there is no unfulfilled obligation that could affect customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer or the establishment has objective evidence that all criteria for acceptance have been satisfied.

LAXMI PETROCHEM MIDDLE EAST FZE

Notes to the Financial Statements
for the year ended 31 March 2021

Sale of goods (contd.):

The amount of revenue is shown as net of discounts, returns, other similar as per the performance obligations determined as per the provisions of the contracts with customers.

f) Borrowing costs

Finance expense comprises interest paid on trust receipts is recognised in Statement of comprehensive income

g) Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement comprise cash and cheques on hand, bank balance in a current account, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

h) Dividend

Dividend is paid out of accumulated profits, when declared.

	<i>2021</i> <u>AED</u>	<i>2020</i> <u>AED</u>
6. Trade and other receivables		
Trade receivables	19,722,365	11,172,325
Provision for doubtful debts	<u>(2,742,459)</u>	<u>(2,742,459)</u>
	16,979,906	8,429,866
Deposits	36,995	34,375
Advance paid to supplier	139,365	-
Loan and advances (<i>refer note 13</i>)	<u>474,792</u>	<u>421,871</u>
	<u>17,631,058</u>	<u>8,886,112</u>
7. Cash and cash equivalents		
Cash on hand	19,445	16,918
Bank accounts:		
In current accounts	<u>54,021</u>	<u>261,340</u>
	<u>73,466</u>	<u>278,258</u>
8. Share capital		
Authorized, issued and subscribed capital		
34 shares of AED 1,000 each	<u>34,000</u>	<u>34,000</u>

LAXMI PETROCHEM MIDDLE EAST FZE

Notes to the Financial Statements
for the year ended 31 March 2021

	<i>2021</i>	<i>2020</i>
	<u>AED</u>	<u>AED</u>
9. Directors' current accounts		
Mr. Niraj Pasari	8,000	8,000
Mr. Vinod Bhassin	8,000	8,000
	<u>16,000</u>	<u>16,000</u>

10. Shareholder's loan account

This amount represents unsecured, interest free loan from Laxmi Organic Industries Limited, the shareholder of the establishment. This loan is repayable on demand.

	<i>2021</i>	<i>2020</i>
	<u>AED</u>	<u>AED</u>
11. Trade and other payables		
Trade payables (refer note 13)	8,743,991	4,915,175
Advance from customer	348,412	-
Other payables	151,157	151,155
Provision for claims payable	-	1,019,924
Accruals	11,921	30,995
	<u>9,255,481</u>	<u>6,117,249</u>

12. Bank borrowings^a

Trust receipts	<u>8,173,391</u>	<u>4,466,868</u>
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^a This amount represents trust receipt loans obtained from Citi bank, U.A.E. as per the facility letter dated 26 January 2021. These loans carry interest @ 2.20% per annum plus 3 month Libor/Eibor. These bank borrowings are secured against Stand by letter of credit of Citi Bank (India).

13. Related party transactions

For the purpose of these financial statement, parties are considered to be related to the establishment, if the establishment has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making that party's financial and operating decisions, or vice versa, or where the establishment and the party are subject to common control or common significant influence. Related party may be individuals or other companies.

The nature and amount of significant transactions during the year are as under:

	<i>Key managerial person 2021 AED</i>	<i>Common management control 2021 AED</i>	<i>Parent company 2021 AED</i>	<i>Total 2021 AED</i>	<i>Total 2020 AED</i>
Purchase	-	2,145,488	-	2,145,488	-
Manager's remuneration (refer note 15)	462,420	-	-	462,420	462,420
Finance costs (refer note 16)	-	-	80,941	80,941	189,885

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Notes to the Financial Statements
for the year ended 31 March 2021

Related party transactions (contd.):

At the balance sheet date, balance with related parties was as follows:

	<i>Key managerial person 2021 <u>AED</u></i>	<i>Common management control 2021 <u>AED</u></i>	<i>Parent company 2021 <u>AED</u></i>	<i>Total 2021 <u>AED</u></i>	<i>Total 2020 <u>AED</u></i>
Included in current assets:					
Loan and advances (refer note 6)	469,792	-	-	469,792	376,430
Included in current liabilities:					
Trade payables (refer note 11)	-	907,706	603,630	1,511,336	522,689

14. Cost of sales

Cost of sales represents cost of goods sold and related direct expenses incurred during the year.

	<i>2021 <u>AED</u></i>	<i>2020 <u>AED</u></i>
15. Expenses		
Manager's remuneration (refer note 13)	462,420	462,420
Staff salaries and benefits	747,545	688,379
Provision for doubtful debts	-	586,163
Provisions for claims	-	1,019,924
Other administrative expenses	<u>577,297</u>	<u>558,290</u>
	<u>1,787,262</u>	<u>3,315,176</u>

16. Finance costs

Bank charges	99,896	213,917
Interest paid to bank	106,609	214,850
SBLIC charges (refer note 13)	<u>80,941</u>	<u>189,885</u>
	<u>287,446</u>	<u>618,652</u>

17. Financial instruments: Credit, interest rate, liquidity risk and exchange rate risk exposures

The establishment has exposure to the following risks from its use financial instruments:

- a) Credit risk
- b) Market risk
- c) Liquidity risk

LAXMI PETROCHEM MIDDLE EAST FZE**Notes to the Financial Statements**
*for the year ended 31 March 2021***a) Credit risk**

Financial assets, which potentially expose the establishment to concentrations of credit risk, comprise principally of trade and other receivables and bank balances.

Trade and other receivables

As at 31 March 2021, the establishment's exposure on account of significant concentration of credit risk for trade receivable situated outside U.A.E. amounted to AED 9,068,829/- due from one customer (*previous year AED 7,307,161/- due from four customers*) and situated within U.A.E. amounted to AED 5,177,043/- due from one customer (*previous year AED NIL*).

There is no significant concentration of credit risk from trade receivables situated outside the industry in which the establishment operates.

Bank balances

The establishment's bank balances in current accounts is placed with high credit quality financial institution.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as exchange rate risk, interest rate risk or other price risk, which will affect the establishment's income or the value of its holding of financial instruments.

Interest rate risk

Interest on trust receipt loans is paid at 3 month Libor/Eibor + 2.20% per annum. The interest rate sensitivity risk of the trust receipts loan is not significant.

Exchange rate risk

There is no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in U.A.E. Dirhams or US Dollars to which U.A.E. Dirham is fixed.

c) Liquidity risk

The following are the contractual maturities of the establishment's financial liabilities as of 31 March 2021.

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Notes to the Financial Statements
for the year ended 31 March 2021

Liquidity risk (contd.)

	<i>Carrying amounts</i>	<i>Payable within next 12 months</i>	<i>Payable after 12 months</i>
<i>Non-derivative financial liabilities</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Bank borrowings	8,173,391	8,173,391	-
Trade payables	8,743,991	8,743,991	-
Advance from customer	348,412	348,412	-
Other payables	151,157	151,157	-
Accruals	<u>11,921</u>	<u>11,921</u>	<u>-</u>

18. Financial instruments: Fair value

The fair value of the establishment's financial assets comprising of trade and other receivables and bank balances financial liabilities comprising of trade and other payables and bank borrowings that approximates to their carrying values.

	<i>2021 AED</i>	<i>2020 AED</i>
19. Contingent liability		
Bankers' letters of credit	<u>-</u>	<u>2,807,838</u>

20. Comparative figures

Previous year's figures have been regrouped/reclassified wherever necessary to confirm the presentation adopted in the current year.