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

Auditor's Report and Financial Statements
For the year ended March 31, 2023

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For identification purpose only
UHY
James

Pidilite MEA Chemicals L.L.C

Dubai - United Arab Emirates

Director's Report

The Director has pleasure in presenting his report and the audited financial statements of **M/s. Pidilite** MEA Chemicals L.L.C, Dubai - United Arab Emirates (the "Entity") for the year ended March 31, 2023.

Principal activities of the Entity:

The Entity is licensed to engage in manufacturing and trading of acid, gum & glue, paint, varnish, insulation materials, adhesives, industrial solvents & construction chemicals.

Financial review:

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

	2023	2022
Revenue	**81,580,054**	66,127,661
Gross profit	**14,069,725**	9,548,594
Gross profit margin	**17.2%**	14.4%
Net profit/(loss) for the year	**905,939**	(2,410,079)

Role of the Director:

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

Events after year end:

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

Auditor:

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

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Statement of Management and Director's responsibilities

The applicable requirements, requires the management to prepare the financial statements for each financial year which presents fairly in all material respects, the financial position of the Entity and its financial performance for the year then ended.

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

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

Mr. Sohail Badar
Director
April 28, 2023

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UHY James

UHY James
Chartered Accountants

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Ref: JM/AR/2023/23168

Independent Auditor's Report

To,

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **M/s. Pidilite MEA Chemicals L.L.C** (the "Entity") which comprise the statement of financial position as at March 31, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023 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 International Code of Ethics for Professional Accountants (including International Independence Standards), issued by International Ethics Standards Board for Accountants (IESBA Code) together with ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and their preparation in compliance with the applicable provisions of the U.A.E. Federal Law No. 32 of 2021 on Commercial Companies 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.

Those Charged with Governance are responsible for overseeing the Entity's financial reporting process.

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Independent Auditor's Report to the Shareholder of Pidilite MEA Chemicals L.L.C (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

Report on Other Legal and Regulatory Requirements

Further, as required by the U.A.E. Federal Law No. 32 of 2021 on Commercial Companies, we confirm that,

1 We have obtained all the information and explanations which we consider necessary for our audit.

2 The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the U.A.E. Federal Law No. 32 of 2021 on Commercial Companies and the Memorandum of Association of the Entity.

3 Proper books of accounts have been maintained by the Entity.

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Independent Auditor's Report to the Shareholder of Pidilite MEA Chemicals L.L.C (continued)

Report on Other Legal and Regulatory Requirements (continued)

4 The financial information included in the Director's Report is consistent with the books of account of the Entity.

5 The Entity has not made any investments in shares and stocks during the year ended March 31, 2023.

6 Note 19 to the financial statements discloses 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 March 31, 2023, any of the applicable provisions of the U.A.E. Federal Law No. 32 of 2021 on Commercial Companies or the Memorandum of Association of the Entity, which would materially affect its activities or its financial position as at March 31, 2023.

For UHY James Chartered Accountants

James Mathew FCA, CPA
Managing Partner
Reg. No. 548
April 28, 2023
Dubai - United Arab Emirates

يو اتش واي جيمس لتدقيق الحسابات
P.O.Box: 118863
DUBAI - U.A.E.
UHY JAMES CHARTERED ACCOUNTANTS

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

Statement of financial position as at March 31, 2023
(In Arab Emirates Dirham)

	Notes	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	5	**16,531,168**	18,317,160
Intangible assets	6	**1,235,621**	1,299,764
Right-of-use asset	7	**6,504,242**	7,004,570
Total non-current assets		**24,271,031**	26,621,494
Current assets			
Inventories	8	**11,913,278**	11,363,421
Trade receivables	9	**28,325,769**	23,325,483
Advances, deposits and other receivables	10	**2,117,771**	1,725,185
Cash balances	11	**10,340**	17,789
Total current assets		**42,367,158**	36,431,878
Total assets		**66,638,189**	63,053,372
Equity and liabilities			
Equity			
Share capital	12	300,000	300,000
Accumulated (losses)	13	(81,644,344)	(82,550,283)
Equity (deficit)		(81,344,344)	(82,250,283)
Shareholder's loan	14	99,007,469	91,517,469
Total shareholder's funds		17,663,125	9,267,186
Non-current liabilities			
Employees' end of service benefits	16	**2,810,027**	2,838,716
Lease liabilities	17	**7,370,870**	7,718,624
Total non-current liabilities		**10,180,897**	10,557,340
Current liabilities			
Lease liabilities	17	**347,745**	432,378
Bank borrowings	15	**14,082,187**	18,305,498
Trade and other payables	18	**24,364,235**	24,490,970
Total current liabilities		**38,794,167**	43,228,846
Total liabilities		**48,975,064**	53,786,186
Total equity and liabilities		**66,638,189**	63,053,372

The accompanying notes from pages 10 to 32 form an integral part of these financial statements.

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

The financial statements on pages 6 to 32 were approved on April 28, 2023 and signed on behalf of the Entity, by:

Mr. Sohail Badar
Director

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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, 2023
(In Arab Emirates Dirham)

	Notes	2023	2022
Revenue	20	**81,580,054**	66,127,661
Cost of revenue	21	**(67,510,329)**	(56,579,067)
Gross profit		**14,069,725**	9,548,594
Other income	22	**246,461**	183,086
Selling and distribution expenses	23	**(4,927,552)**	(5,948,801)
Administrative expenses	24	**(7,609,530)**	(5,662,893)
Finance costs	25	**(873,165)**	(530,065)
Profit/(loss) for the year		**905,939**	(2,410,079)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**905,939**	(2,410,079)

The accompanying notes from pages 10 to 32 form an integral part of these financial statements.

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Pidilite MEA Chemicals L.L.C

Dubai - United Arab Emirates

Statement of changes in equity for the year ended March 31, 2023

(In Arab Emirates Dirham)

	Share capital	Accumulated (losses)	Shareholder's loan	Total shareholder's funds
Balance as at April 01, 2022	300,000	(80,140,204)	91,517,469	11,677,265
(Loss) for the year	-	(2,410,079)	-	(2,410,079)
Balance as at March 31, 2022	300,000	(82,550,283)	91,517,469	9,267,186
Profit for the year	-	**905,939**	-	**905,939**
Received during the year	-	-	**7,490,000**	**7,490,000**
Balance as at March 31, 2023	**300,000**	**(81,644,344)**	**99,007,469**	**17,663,125**

The accompanying notes from pages 10 to 32 form an integral part of these financial statements.

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

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

Statement of cash flows for the year ended March 31, 2023
(In Arab Emirates Dirham)

	2023	2022
Cash flows from operating activities		
Profit/(loss) for the year	**905,939**	(2,410,079)
Adjustments for:		
(Gain) on disposal of property, plant and equipment	-	(7,619)
Depreciation on property, plant and equipment	**1,942,646**	1,988,501
Depreciation on right-of-use asset	**500,328**	500,328
Amortisation on intangible assets	**64,143**	-
Allowance for slow moving inventories	**416,009**	161,420
Allowance for expected credit loss	**243,377**	58,074
Finance costs	**873,165**	530,065
Provision for employees' end of service benefits	**402,045**	361,071
Operating profit before changes in operating assets and liabilities	**5,347,652**	1,181,761
(Increase)/decrease in current assets		
Inventories	**(965,866)**	(2,745,958)
Trade receivables	**(5,243,663)**	(3,454,350)
Advances, deposits and other receivables	**(392,586)**	81,636
Increase/(decrease) in current liabilities		
Trade and other payables	**(126,735)**	4,626,969
Cash (used in) operations	**(1,381,198)**	(309,942)
Employees' end of services benefits paid	**(430,734)**	(20,344)
Net cash (used in) operating activities	**(1,811,932)**	(330,286)
Cash flows from investing activities		
Acquisition of intangible assets	-	(320,714)
Acquisition of property, plant and equipment	**(156,654)**	(570,875)
Proceeds from disposal of property, plant and equipment	-	7,619
Net cash (used in) investing activities	**(156,654)**	(883,970)
Cash flows from financing activities		
Shareholder's loan	**7,490,000**	-
Finance costs paid	**(642,102)**	(289,168)
(Repayment) of lease liabilities	**(663,450)**	(587,651)
Net cash from/(used in) financing activities	**6,184,448**	(876,819)
Net increase/(decrease) in cash and cash equivalents	**4,215,862**	(2,091,075)
Cash and cash equivalents, beginning of the year	**(18,287,709)**	(16,196,634)
Cash and cash equivalents, end of the year	**(14,071,847)**	(18,287,709)
Cash and cash equivalents		
Cash in hand	**10,340**	17,789
Bank overdrafts	**(14,082,187)**	(18,305,498)
	(14,071,847)	(18,287,709)

The accompanying notes from pages 10 to 32 form an integral part of these financial statements.

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

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1 **Legal status and business activities**

1.1 **M/s. Pidilite MEA Chemicals L.L.C,** Dubai - United Arab Emirates (the "Entity") was incorporated on June 28, 2005 as a Limited Liability Company and operates in the United Arab Emirates under Industrial license no. 570849, issued by the Dubai Economy and Tourism, Government of Dubai, Dubai - United Arab Emirates.

1.2 The Entity is licensed to engage in manufacturing and trading of acid, gum & glue, paint, varnish, insulation materials, adhesives, industrial solvents & construction chemicals.

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

1.4 M/s. Pidilite Industries Limited - India is the ultimate Parent Company of the Entity. The management and control is vested with the Director, Mr. Sohail Badar (Indian national).

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

1.6 The U.A.E. Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on September 20, 2021 and has come into effect on January 02, 2022, to entirely replace U.A.E. Federal Law No. (2) of 2015 on Commercial Companies, as amended (the "2015 law"). The Entity is in the process of complying with the provisions of the New Companies Law.

2 **Corporate Tax Law**

On December 09, 2022, the U.A.E. Ministry of Finance (MoF) released Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (CT Law) to enact a new CT regime in the U.A.E. The new CT regime will become effective for the accounting periods beginning on or after June 01, 2023. As the Entity's year end is March 31, accordingly, the first tax year for the Entity will begin from April 01, 2023. The new CT Law confirms the rate of 9% to be applied to taxable income exceeding AED 375,000.

3 **New standards and amendments**

3.1 New standards and amendments applicable as on April 01, 2022

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after April 01, 2022.

- Reference to the Conceptual Framework - Amendments to IFRS 3
- Property Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16
- Onerous Contracts, Cost of Fulfilling a Contract - Amendments to IAS 37
- COVID-19 Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16
- Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle
    - IFRS 1 First-time Adoption of International Financial Reporting Standards
    - IFRS 9 Financial Instruments
    - IFRS 16 Leases
    - IAS 41 Agriculture

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

3.2 New standards and amendments issued but not effective for the current annual period

The following standards and interpretations had been issued but not yet mandatory for annual reporting periods ending March 31, 2022.

Description	Effective for annual periods beginning on or after
IFRS 17 - *Insurance Contracts* (Including the June 2020 and December 2021	January 01, 2023

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3 New standards and amendments (continued)

3.2 New standards and amendments issued but not effective for the current annual period (continued)

Description	Effective for annual periods beginning on or after
Disclosure of Accounting Policies - Amendments to IAS 1, *Presentation of Financial Statements and IFRS Practice Statement 2*	January 01, 2023
Definition of Accounting Estimates - Amendments to IAS 8, *Accounting policies, Changes in Accounting Estimates and Errors*	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from Single Transaction - Amendments to IAS 12, *Income Taxes*	January 01, 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*	January 01, 2023
IFRS 16 - *Leases* (Amendment - Liability in a Sale and Leaseback)	January 01, 2024
Classification of Liabilities as Current or Non-Current - Amendments to IAS 1, *Presentation of Financial Statements*	January 01, 2024
Non Current Liabilities with Covenants - Amendments to IAS 1, *Presentation of Financial Statements*	January 01, 2024

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 (IFRSs) as issued by International Accounting Standards Board (IASB) and applicable U.A.E. laws. These financial statements are presented in United Arab Emirates Dirham (AED) which is the Entity's functional and presentation currency.

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 as follows:

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

All other assets are classified as non-current.

4 Significant accounting policies (continued)

4.3 Current/Non current classification (continued)

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.

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 statement of profit or loss and other comprehensive income 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 and other comprehensive income 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
Building	20
Plant and machinery	5 - 10
Tools and lab equipment	5
Vehicles	4
Furniture and fixtures	5
Office equipment	5

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4 Significant accounting policies (continued)

4.6 Property, plant and equipment (continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for separately.

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

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

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

4.7 Leases

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

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

4.7.1 Entity as lessee

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

Right-of-use assets

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

Depreciation is spread over the shorter of lease term and the estimated useful lives of the assets using straight-line method. The shorter of lease term and the estimated useful lives of the right-of-use assets have been 30 years.

Lease liabilities

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

4 Significant accounting policies (continued)

4.7 Leases (continued)

4.7.1 Entity as lessee (continued)

Lease liabilities (continued)

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

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

Short-term leases and leases of low-value assets

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

4.8 Intangible assets

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

Trademarks

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

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 amortised. The management estimates that no impairment is required as at the reporting date.

Computer software

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

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

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

Computer software represents accounting system used for book keeping purposes.

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated that the software product will generate probable future economic benefits;

4 Significant accounting policies (continued)

4.8 Intangible assets (continued)

Computer software (continued)

- adequate technical, financial and other resources are available to complete the development and to use or sell the software product; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

4.9 Impairment of tangible and intangible assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

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. The reversal of impairment loss is limited 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 and other comprehensive income.

4.10 Financial instruments

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

4.10.1 Financial assets

Classification

The Entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI "FVTOCI", or through profit or loss "FVTPL"), and

- those to be measured at amortised cost.

The classification depends on the Entity's business model for managing the financial assets and the contractual terms of the cash flows.

4 Significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.1 Financial assets (continued)

Measurement

At initial recognition, the Entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the statement of profit or loss and other comprehensive income.

Financial assets comprise of cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand.

Trade receivables

Trade receivables balances that are held to collect are subsequently measured at the lower of amortized cost or the present value of estimated future cash flows. The present value of estimated future cash flows is determined through the use of value adjustments for uncollectible amounts. The Entity assesses on a forward-looking basis the expected credit losses associated with its trade receivables and adjusts the value to the expected collectible amounts.

Trade receivables are written off when they are deemed uncollectible because of bankruptcy or other forms of receivership of the debtors. The assessment of expected credit losses on trade receivables takes into account credit-risk concentration, collective debt risk based on average historical losses, specific circumstances such as serious adverse economic conditions in a specific country or region and other forward-looking information.

Impairment of financial assets

For trade receivables, the Entity applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition of financial assets

The Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognises its retained interest in the asset and an associated liability for the amounts, it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognise the financial asset.

4.10.2 Financial liabilities

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

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 and other payables are recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

Loans and borrowings

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

4 Significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.2 Financial liabilities (continued)

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 and other comprehensive income.

4.11 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.

4.12 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.

4.13 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.

4.14 Employee benefits

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

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

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

4.15 Value Added Tax (VAT)

VAT is charged on invoices for vatable goods and services and is governed by Value Added Tax Law of U.A.E.

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

4 Significant accounting policies (continued)

4.15 Value Added Tax (VAT) (continued)

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

4.16 Revenue recognition

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

Sale of goods

Revenue from the sale of goods in normal course of business is recognised at a point in time when the performance obligation is satisfied and is based on the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which the Entity expects to be entitled in exchange for transferring promised goods or services to the customer.

The consideration expected by the Entity may include fixed or variable amounts which can be impacted by sales returns, trade discounts and volume rebates. Revenue for the sale of goods is recognized when control of the asset is transferred to the buyer and only when it is highly probable that a significant reversal of revenue will not occur when uncertainties related to a variable consideration are resolved.

Transfer of control varies depending on the individual terms of the contract of sale. Revenue from transactions that have distinct goods or services are accounted for separately based on their stand-alone selling prices. Revenue is recorded net of Value Added Tax (VAT). A variable consideration is recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For products for which a right of return exists during a defined period, revenue recognition is determined based on the historical pattern of actual returns, or in cases where such information is not available, revenue recognition is postponed until the return period has lapsed.

4.16.1 Performance obligations

Information about the Entity's performance obligations are summarized below:

Selling products

The Entity sells a range of adhesives and construction chemicals in the market. Revenue is recognised when control of the products has transferred, being when the products are shipped or delivered to the customers, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales agreement and terms.

4.17 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 on the following page.

4 **Significant accounting policies (continued)**

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

Critical judgements in applying accounting policies

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

Determining the timing of satisfaction of performance obligations - revenue recognition

In making their judgement, the Entity considers the detailed criteria for the recognition of revenue set out in IFRS 15, and in particular, whether the Entity has transferred control of the goods to the customer. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the customer, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales agreement and terms.

Lease term - the Entity as lessee

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

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives, which are based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

Net realisable value of inventories

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

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the relevant notes to the financial statements.

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Notes to the financial statements for the year ended March 31, 2023
(In Arab Emirates Dirham)

5 Property, plant and equipment

	Building	Plant and machinery	Tools and lab equipment	Vehicles	Furniture and fixtures	Office equipment	Total
Cost							
Balance as at April 01, 2021	23,602,392	7,379,356	493,759	885,720	694,391	616,800	33,672,418
Addition during the year	4,000	523,734	-	-	11,269	31,872	570,875
Disposal during the year	-	-	-	(36,450)	-	-	(36,450)
Transfer	-	567,753	(493,759)	-	-	(73,994)	-
Balance as at March 31, 2022	23,606,392	8,470,843	-	849,270	705,660	574,678	34,206,843
Addition during the year	**7,950**	**19,125**	-	**-**	**20,145**	**109,434**	**156,654**
Balance as at March 31, 2023	**23,614,342**	**8,489,968**	**-**	**849,270**	**725,805**	**684,112**	**34,363,497**
Accumulated depreciation							
Balance as at April 01, 2021	7,247,475	4,459,684	453,144	507,326	687,778	582,225	13,937,632
Charge for the year	1,174,319	633,883	-	163,602	2,174	14,523	1,988,501
Eliminated on disposal during the year	-	-		(36,450)	-	-	(36,450)
Transfer	-	526,633	(453,144)	-	-	(73,489)	-
Balance as at March 31, 2022	8,421,794	5,620,200	-	634,478	689,952	523,259	15,889,683
Charge for the year	**1,174,509**	**643,124**	-	**103,565**	**4,376**	**17,072**	**1,942,646**
Balance as at March 31, 2023	**9,596,303**	**6,263,324**	**-**	**738,043**	**694,328**	**540,331**	**17,832,329**
Carrying value as at March 31, 2023	**14,018,039**	**2,226,644**	**-**	**111,227**	**31,477**	**143,781**	**16,531,168**
Carrying value as at March 31, 2022	15,184,598	2,850,643	-	214,792	15,708	51,419	18,317,160

Notes:

- Buildings, plant and machinery are erected on Plot No. 597 - 425 leased from M/s. Dubai Investments Park Development Company L.L.C. located at Dubai Investments Park, Dubai - United Arab Emirates.
- Breakup of depreciation charged:

	Notes	For the year ended March 31, 2023	2022
Cost of revenue	21	**1,242,124**	1,232,786
Administrative expenses	24	**700,522**	755,715
		1,942,646	1,988,501

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		Trademark	Software	Total
6	**Intangible assets**			
	Cost			
	As at April 01, 2022	979,050	320,714	1,299,764
	As at March 31, 2023	**979,050**	**320,714**	**1,299,764**
	Accumulated amortisation			
	Amortisation during the year (note 24)	-	**64,143**	**64,143**
	As at March 31, 2023	-	**64,143**	**64,143**
	Carrying value as at March 31, 2023	**979,050**	**256,571**	**1,235,621**
	Carrying value as at March 31, 2022	979,050	320,714	1,299,764

		Land lease
7	**Right-of-use asset**	
	Cost	
	As at April 01, 2021	10,587,252
	Effect of modification to lease terms	(1,836,797)
	As at March 31, 2022	8,750,455
	As at March 31, 2023	**8,750,455**
	Accumulated depreciation	
	As at April 01, 2021	1,245,557
	Charge for the year	500,328
	As at March 31, 2022	1,745,885
	Charge for the year	**500,328**
	As at March 31, 2023	**2,246,213**
	Carrying value as at March 31, 2023	**6,504,242**
	Carrying value as at March 31, 2022	7,004,570

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

		For the year ended March 31,	
Breakup of depreciation charged:	Notes	**2023**	2022
Cost of revenue	21	**135,089**	135,089
Administrative expenses	24	**365,239**	365,239
		500,328	500,328

		2023	2022
8	**Inventories**		
	Raw materials	**3,578,586**	2,938,572
	Packing materials	**678,198**	539,253
	Spare parts	**65,380**	75,707
	Goods held for trading - trading division	**4,958,521**	5,299,870
	Goods held for trading - manufacturing division	**368,937**	292,160
	Finished goods	**1,404,853**	1,795,601
		11,054,475	10,941,163
	Goods-in-transit	**2,262,489**	1,409,935
	Less: Allowances for slow moving inventories	**(1,403,686)**	(987,677)
		11,913,278	11,363,421

	2023	2022

8 Inventories (continued)

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

	2023	2022
Balance at the beginning of the year	**987,677**	1,478,396
Add: Charge during the year (note 24)	**416,009**	161,420
Less: Written off during the year	**-**	(652,139)
Balance at the end of the year	**1,403,686**	987,677

9 Trade receivables

	2023	2022
Trade receivables - others	**30,106,664**	25,230,999
- related party	**85,550**	57,088
	30,192,214	25,288,087
Less: Allowance for expected credit loss	**(1,866,445)**	(1,962,604)
	28,325,769	23,325,483

The average credit period for the trade receivables is 90/120 days (2022: 90/120 days). Provisions are based on the estimated irrecoverable amounts determined by reference to the past default experience.

Of the trade receivables as at March 31, 2023, there are 5 customers (2022: 5 customers) representing 15% (2022: 16%) of the total receivables.

	2023	2022
Ageing of trade receivables that are neither past nor due:		
Not due	**25,764,017**	20,292,961
Ageing of trade receivables that are past due:		
1 - 90 days	**2,577,526**	2,722,534
91 - 180 days	**199,414**	496,407
181 - 270 days	**108,336**	98,739
271 - 360 days	**201,380**	99,998
361 days and above	**1,341,541**	1,577,448
	30,192,214	25,288,087

Impairment of trade receivables:

The Entity applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In determining the impairment loss on trade receivables, the Entity does not consider any changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The management has established a provision matrix that is based on its historic credit loss experience, adjusted for forward-looking information specific to the debtor and the overall economic environment.

	2023	2022
Expected credit loss rate	**6.2%**	7.8%
Estimated total gross carrying amount at default	**30,192,214**	25,288,087
Amounts not past due	**25,764,017**	20,292,961
Lifetime expected credit loss	**1,866,445**	1,962,604
Net carrying amount	**28,325,769**	23,325,483

		2023	2022
9	**Trade receivables (continued)**		
	The movements in the allowance for expected credit loss as at the reporting date are as follows:		
	Balance at the beginning of the year	**1,962,604**	2,424,639
	Add: Charge during the year (note 24)	**243,377**	58,074
	Less: Written off during the year	**(339,536)**	(520,109)
	Balance at the end of the year	**1,866,445**	1,962,604
	Geographical analysis:		
	The geographical analysis of trade receivables are as follows:		
	Within U.A.E.	**27,337,583**	22,042,561
	Within other G.C.C. countries	**2,669,987**	2,748,831
	Others	**184,644**	496,695
		30,192,214	25,288,087
10	**Advances, deposits and other receivables**		
	Prepayments	**808,238**	692,285
	Deposits	**269,510**	269,510
	Advances to suppliers	**329,516**	107,453
	Staff loans and advances	**40,495**	73,569
	Other receivables	**670,012**	582,368
		2,117,771	1,725,185
11	**Cash balances**		
	Cash in hand	**10,340**	17,789

12 Share capital

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

		2023	2022
13	**Accumulated (losses)**		
	Balance at the beginning of the year	**(82,550,283)**	(80,140,204)
	Profit/(loss) for the year	**905,939**	(2,410,079)
	Balance at the end of the year	**(81,644,344)**	(82,550,283)
14	**Shareholder's loan**		
	Balance at the beginning of the year	**91,517,469**	91,517,469
	Received during the year	**7,490,000**	-
	Balance at the end of the year	**99,007,469**	91,517,469

The above loan is availed from M/s. Pidilite Middle East Limited. This loan is unsecured, interest free, without any fixed maturity period and is being used for the operations of the Entity as a long term source of finance.

		2023	2022
15	**Bank borrowings**		
	Bank overdrafts	**14,082,187**	18,305,498

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

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16 Employees' end of service benefits	**2023**	2022
Balance at the beginning of the year	**2,838,716**	2,497,989
Add: Charge for the year	**402,045**	361,071
Less: Paid during the year	**(430,734)**	(20,344)
Balance at the end of the year	**2,810,027**	2,838,716

Amounts required to cover end of service indemnity at the statement of financial position date are computed pursuant to the applicable Labour Law based on the employees' accumulated period of service and current basic remuneration at the end of reporting period.

	2023	2022
17 Lease liabilities		
Balance at the beginning of the year	**8,151,002**	10,334,553
Add: Interest for the year (note 25)	**231,063**	240,897
Less: Paid during the year	**(663,450)**	(587,651)
Effect of lease modification	-	(1,836,797)
Balance at the end of the year	**7,718,615**	8,151,002
Comprising:		
Current portion	**347,745**	432,378
Non-current portion	**7,370,870**	7,718,624
	7,718,615	8,151,002

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

Maturity profile of lease payments:

March 31, 2023	**Within 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Lease payments - undiscounted	**568,680**	**2,525,052**	**6,314,332**	**9,408,064**
Less: Finance charges	**(220,935)**	**(767,740)**	**(700,774)**	**(1,689,449)**
Net present value	**347,745**	**1,757,312**	**5,613,558**	**7,718,615**
March 31, 2022				
Lease payments - undiscounted	663,442	2,399,886	7,008,187	10,071,515
Less: Finance charges	(231,064)	(817,548)	(871,901)	(1,920,513)
Net present value	432,378	1,582,338	6,136,286	8,151,002

Amounts recognised in statement of profit or loss and other comprehensive income:	**For the year ended March 31, 2023**	2022
Interest on lease liabilities (note 25)	**231,063**	240,897
Depreciation expense (notes 7, 21 and 24)	**500,328**	500,328
Payments not included in the measurement of the lease liability:		
Expenses related to short term leases	**231,588**	187,020
Net impact for the year	**962,979**	928,245

Amounts recognised in statement of cash flows:		
Total cash outflows for leases	**663,450**	587,651

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18	**Trade and other payables**	**2023**	2022
	Trade payables - related parties	**13,106,156**	13,131,262
	- others	**9,051,391**	7,575,969
	Advances from customers	**61,408**	76,558
	Provisions and accruals	**1,654,892**	3,292,264
	VAT payable - net	**490,389**	414,917
		24,364,235	24,490,970

19 Related party transactions

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

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

Transactions with related parties

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

	For the year ended March 31,	
	2023	2022
<u>*Sales*</u>		
Entities under common management and control		
M/s. Pidilite East Africa Limited - Kenya	**267,475**	99,542
<u>*Purchases*</u>		
Ultimate Parent Company		
M/s. Pidilite Industries Limited - India	**37,025,177**	33,140,955
Entity under common management and control		
M/s. Pidilite (Lanka) Private Limited - Sri Lanka	**89,689**	-
	37,114,866	33,140,955
<u>*Intangible assets purchase*</u>		
Ultimate Parent Company		
M/s. Pidilite Industries Limited - India	**-**	320,714
<u>*Royalty expenses*</u>		
Ultimate Parent Company		
M/s. Pidilite Industries Limited - India	**516,808**	356,494
<u>*Administrative expenses charged by related parties*</u>		
Ultimate Parent Company		
M/s. Pidilite Industries Limited - India	**353,504**	296,501
Entity under common management and control		
M/s. Pidilite Industries Limited - U.A.E.	**763,776**	488,405
	1,117,280	784,906

19 Related party transactions (continued)

Transactions with related parties (continued)

	For the year ended March 31, 2023	2022
Other expenses charged to a related party		
Entity under common management and control		
M/s. Pidilite Industries Limited - U.A.E.	**3,381,956**	3,420,936
Key management personnel compensation		
Director's fee	**30,000**	20,000

	For the year ended March 31, 2023	2022
20 Revenue		
Revenue from contracts with customers	**81,580,054**	66,127,661

20.1 Disaggregated revenue information

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

	2023	2022
Segments		
Trading	**62,801,353**	53,086,204
Manufacturing	**18,778,701**	13,041,457
Total revenue from contracts with customers	81,580,054	66,127,661

The Entity has two reporting segments trading and manufacturing. The Entity sells adhesive materials through trading segment. The Entity manufactures and sells construction chemicals through manufacturing segment.

	2023	2022
Geographical markets		
Within U.A.E.	**72,254,527**	60,777,550
Within other G.C.C. countries	**8,099,898**	4,631,524
Others	**1,225,629**	718,587
Total revenue from contracts with customers	81,580,054	66,127,661
Timing of revenue recognition		
Revenue recognised at a point in time	81,580,054	66,127,661
Total revenue from contracts with customers	81,580,054	66,127,661

21 Cost of revenue

	2023	2022
Cost of revenue: Trading	**52,051,433**	45,519,800
: Manufacturing	**15,458,896**	11,059,267
	67,510,329	56,579,067
- *Cost of revenue: Trading*		
Goods held for trading at the beginning of the year	**5,299,870**	4,557,911
Purchases (including other expenses)	**51,710,084**	46,261,759
Goods held for trading at the end of the year (note 8)	**(4,958,521)**	(5,299,870)
	52,051,433	45,519,800

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	For the year ended March 31,	
	2023	2022
21 Cost of revenue (continued)		
- *Cost of revenue: Manufacturing*		
Raw materials and packing materials at the beginning of the year	**3,477,825**	3,287,843
Goods held for trading at the beginning of the year	**292,160**	365,078
Purchases	**12,187,563**	7,895,289
Salaries and wages	**1,875,654**	2,006,578
Other direct expenses	**483,454**	405,421
Depreciation on property, plant and equipment (note 5)	**1,242,124**	1,232,786
Depreciation on right-of-use asset (note 7)	**135,089**	135,089
Raw materials and packing materials at the end of the year (note 8)	**(4,256,784)**	(3,477,825)
Goods held for trading at the end of the year (note 8)	**(368,937)**	(292,160)
	15,068,148	11,558,099
Finished goods at the beginning of the year	**1,795,601**	1,296,769
Finished goods at the end of the year (note 8)	**(1,404,853)**	(1,795,601)
	15,458,896	11,059,267
22 Other income		
Gain on disposal of property, plant and equipment	**-**	7,619
Sale of scrap	**214,241**	127,233
Others	**32,220**	48,234
	246,461	183,086
23 Selling and distribution expenses		
Salaries and benefits	**427,696**	1,438,261
Consulting expenses	**2,458,837**	2,886,574
Advertisement and business promotion	**596,240**	623,391
Royalty expenses	**524,513**	356,494
Distribution expenses	**879,682**	638,591
Others	**40,584**	5,490
	4,927,552	5,948,801

	For the year ended March 31,	
	2023	2022
24 Administrative expenses		
Salaries and related benefits	**4,067,020**	2,799,506
Legal, professional and related expenses	**542,477**	409,336
Telephone and communication	**104,735**	109,248
Utilities	**80,294**	92,679
Repairs and maintenance	**107,474**	111,944
Printing and stationery	**41,163**	53,658
Security service charges	**91,497**	102,500
Depreciation on property, plant and equipment (note 5)	**700,522**	755,715
Amortisation on intangible assets (note 6)	**64,143**	-
Depreciation on right-of-use assets (note 7)	**365,239**	365,239
Allowance for slow moving inventories (note 8)	**416,009**	161,420
Allowance for expected credit loss (note 9)	**243,377**	58,074
Bank charges	**372,477**	347,840
Others	**413,103**	295,734
	7,609,530	5,662,893
25 Finance costs		
Interest on lease liabilities (note 17)	**231,063**	240,897
Bank interest	**642,102**	289,168
	873,165	530,065

26 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,	
	2023	2022	**2023**	2022
Financial assets	Carrying amount		Fair value	
Trade receivables	**28,325,769**	23,325,483	**28,325,769**	23,325,483
Deposits and other receivables	**980,017**	925,447	**980,017**	925,447
Cash balances	**10,340**	17,789	**10,340**	17,789
	29,316,126	24,268,719	**29,316,126**	24,268,719
Financial liabilities				
Bank borrowings	**14,082,187**	18,305,498	**14,082,187**	18,305,498
Trade and other payables	**24,302,827**	24,414,412	**24,302,827**	24,414,412
Lease liabilities	**7,718,615**	8,151,002	**7,718,615**	8,151,002
	46,103,629	50,870,912	**46,103,629**	50,870,912

26 Financial instruments (continued)

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

Financial instruments comprises of financial assets and financial liabilities.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties.

Financial assets consist of trade receivables, deposits and other receivables and cash balances. Financial liabilities consist of trade and other payables, bank borrowings and lease liabilities.

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

27 Financial risk management objectives

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

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

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

a) *Foreign currency risk management*

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

The carrying amounts of the Entity's monetary assets and liabilities denominated in foreign currencies other than in Arab Emirates Dirham or currencies to which the Arab Emirates Dirham is fixed are as follows:

	Equivalent to AED	
	Liabilities	
	2023	2022
Euro	**272,510**	456,273
GBP	**51,528**	-
SAR	**139,535**	-

The following table details the Entity's sensitivity to a 2% increase or decrease in the functional currency against the relevant foreign currencies. 2% is the sensitivity rate used for reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% change in foreign currency rates. A positive or negative number below indicates an increase or decrease in profit or loss where the functional currency weakens 2% against the relevant currency. For a 2% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

	Profit or loss	
	2023	2022
Euro	(5,450)	(9,125)
GBP	(1,031)	-
SAR	(2,791)	-

27 Financial risk management objectives (continued)

b) *Interest rate risk management*

The Entity's exposure to the risk of changes in market interest rates relates primarily to the Entity's borrowings with floating interest rates. The Entity's policy is to manage its interest cost using a mix of fixed and variable rate debts. Interest on financial instruments having floating rates is re-priced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used for reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the Entity's profit for the year then ended would (decrease)/increase by AED 70,411 (2022: (decrease)/increase by AED 91,527).

c) *Liquidity risk management*

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

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

Liquidity and interest risk table:

The table below summarises the maturity profile of the Entity's financial assets and financial liabilities. The contractual maturities of the financial assets and financial liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the statement of financial position date based on contractual repayment arrangements were as follows:

	Interest bearing			Non Interest bearing			
Particulars	On demand or less than 3 months	Within 1 year	More than 1 year	On demand or less than 3 months	Within 1 year	More than 1 year	Total
				As at March 31, 2023			
Financial assets							
Trade receivables	-	-	-	-	28,325,769	-	28,325,769
Deposits and other receivables	-	-	-	-	980,017	-	980,017
Cash balances	-	-	-	10,340	-	-	10,340
	-	-	-	10,340	29,305,786	-	29,316,126
Financial liabilities							
Bank borrowings	14,082,187	-	-	-	-	-	14,082,187
Trade and other payables	-	-	-	-	24,302,827	-	24,302,827
Lease liabilities	86,936	260,809	7,370,870	-	-	-	7,718,615
	14,169,123	260,809	7,370,870	-	24,302,827	-	46,103,629

27 Financial risk management objectives (continued)

c) *Liquidity risk management (continued)*

Liquidity and interest risk table (continued)

	Interest bearing			Non Interest bearing			
Particulars	On demand or less than 3 months	Within 1 year	More than 1 year	On demand or less than 3 months	Within 1 year	More than 1 year	Total
				As at March 31, 2022			
Financial assets							
Trade receivables	-	-	-	-	23,325,483	-	23,325,483
Deposits and other receivables	-	-	-	-	925,447	-	925,447
Cash balances	-	-	-	17,789	-	-	17,789
	-	-	-	17,789	24,250,930	-	24,268,719
Financial liabilities							
Bank borrowings	18,305,498	-	-	-	-	-	18,305,498
Trade and other payables	-	-	-	-	24,414,412	-	24,414,412
Lease liabilities	83,471	348,907	7,718,624	-	-	-	8,151,002
	18,388,969	348,907	7,718,624	-	24,414,412	-	50,870,912

d) *Credit risk management*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties. The Entity's exposure are continuously monitored and their credit exposure is reviewed by the management regularly and the Entity applies simplified approach under IFRS 9 to measure lifetime expected credit loss allowance on all of its trade receivables.

Trade receivables consist of a few number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. Further details of credit risks on trade and other receivables are discussed in notes 9 and 10 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.

28 Capital risk management

The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Entity's overall strategy remains unchanged from prior year. The Entity is not subject to any externally imposed capital requirements.

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

	As at March 31,	
29 Contingent liabilities	**2023**	2022
Bank guarantee	**367,275**	367,490

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

30 Commitments

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

31 Reclassification

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

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