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

Auditor's Report and Financial Statements
For the year ended March 31, 2024

For identification purpose only
UHY
James

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

Table of contents

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, 2024.

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 summarises the results denoted in Arab Emirates Dirham (AED).

	2024	2023
Revenue	**91,398,005**	81,580,054
Gross profit	**22,407,369**	14,069,725
Gross profit margin	**24.5%**	17.2%
Net profit for the year	**6,523,560**	905,939

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.

For identification purpose only UHY James *

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. So far as the Director is aware, there is no relevant audit information of which the auditor is unaware, and the Director has taken all the steps in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information. 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 authorised representative of the Entity.

Mr. Sohail Badar
Director
May 01, 2024

For identification purpose only
UHY James

Level 6, Clover Bay Tower
Business Bay
P.O. Box: 118863
Dubai, UAE

Tel +971 4 2770606
Email info@uhy-ae.com
Web uhy-ae.com

Ref: JM/AR/2024/240274

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, 2024 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, 2024 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.

Level 6, Clover Bay Tower
Business Bay
P.O. Box: 118863
Dubai, UAE

Tel +971 4 2770606
Email info@uhy-ae.com
Web uhy-ae.com

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.

UHY James
Chartered Accountants

Level 6, Clover Bay Tower
Business Bay
P.O. Box: 118863
Dubai, UAE

Tel +971 4 2770606
Email info@uhy-ae.com
Web uhy-ae.com

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 accounts of the Entity.

5 Investments in shares and stocks are included in note 7 to the financial statements and includes purchases and investments made by the Entity during the year ended March 31, 2024.

6 Note 21 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, 2024, 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, 2024.

For UHY James Chartered Accountants

James Mathew FCA, CPA
Managing Partner
Reg. No. 548

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

May 01, 2024
Dubai - United Arab Emirates

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

Statement of financial position as at March 31, 2024
(In Arab Emirates Dirham)

	Notes	2024	2023
Assets			
Non-current assets			
Property, plant and equipment	5	**14,855,985**	16,531,168
Intangible assets	6	**1,145,470**	1,235,621
Investment in joint venture	7	**3,000,000**	-
Right-of-use asset	8	**6,003,914**	6,504,242
Total non-current assets		**25,005,369**	24,271,031
Current assets			
Inventories	9	**11,964,175**	11,913,278
Trade receivables	10	**32,515,644**	28,325,769
Advances, deposits and other receivables	11	**2,300,096**	2,117,771
Cash balances	12	**6,669**	10,340
Total current assets		**46,786,584**	42,367,158
Total assets		**71,791,953**	66,638,189
Equity and liabilities			
Equity			
Share capital	13	**300,000**	300,000
Statutory reserve	14	**150,000**	-
Accumulated (losses)	15	**(75,270,784)**	(81,644,344)
Equity (deficit)		**(74,820,784)**	(81,344,344)
Shareholder's loan	16	**101,907,469**	99,007,469
Total shareholder's funds		**27,086,685**	17,663,125
Non-current liabilities			
Employees' end of service benefits	18	**3,203,469**	2,810,027
Lease liabilities	19	**7,012,693**	7,370,870
Total non-current liabilities		**10,216,162**	10,180,897
Current liabilities			
Lease liabilities	19	**358,177**	347,745
Bank borrowings	17	**9,099,993**	14,082,187
Trade and other payables	20	**25,030,936**	24,364,235
Total current liabilities		**34,489,106**	38,794,167
Total liabilities		**44,705,268**	48,975,064
Total equity and liabilities		**71,791,953**	66,638,189

The accompanying notes from pages 10 to 33 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 33 were approved on May 01, 2024 and signed on behalf of the Entity, by:

Mr. Sohail Badar
Director

For identification purpose only
UHY James

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, 2024
(In Arab Emirates Dirham)

	Notes	2024	2023
Revenue	22	**91,398,005**	81,580,054
Cost of revenue	23	**(68,990,636)**	(67,510,329)
Gross profit		**22,407,369**	14,069,725
Other income	24	**2,155,604**	246,461
Selling and distribution expenses	25	**(5,944,006)**	(4,927,552)
Administrative expenses	26	**(10,953,451)**	(7,609,530)
Finance costs	27	**(1,141,956)**	(873,165)
Profit for the year		**6,523,560**	905,939
Other comprehensive income		**-**	-
Total comprehensive income for the year		**6,523,560**	905,939

The accompanying notes from pages 10 to 33 form an integral part of these financial statements.

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

For identification purpose only
UHY James

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

Statement of changes in equity for the year ended March 31, 2024
(In Arab Emirates Dirham)

	Share capital	Statutory reserve	Accumulated (losses)	Shareholder's loan	Total shareholder's funds
Balance as at April 01, 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
Profit for the year	-	-	**6,523,560**	-	**6,523,560**
Received during the year	-	-	-	**3,000,000**	**3,000,000**
(Repayment) of loan	-	-	-	**(100,000)**	**(100,000)**
Transferred to statutory reserve	-	**150,000**	**(150,000)**	-	-
Balance as at March 31, 2024	**300,000**	**150,000**	**(75,270,784)**	**101,907,469**	**27,086,685**

The accompanying notes from pages 10 to 33 form an integral part of these financial statements.

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

For identification purpose only
UHY
James
*

Pidilite MEA Chemicals L.L.C

Dubai - United Arab Emirates

Statement of cash flows for the year ended March 31, 2024

(In Arab Emirates Dirham)

	2024	2023
Cash flows from operating activities		
Profit for the year	**6,523,560**	905,939
Adjustments for:		
(Gain) on disposal of property, plant and equipment - net	**(1,745,515)**	-
Depreciation on property, plant and equipment	**1,844,489**	1,942,646
Depreciation on right-of-use asset	**500,328**	500,328
Amortisation on intangible assets	**90,151**	64,143
Allowance for slow moving inventories	**468,583**	416,009
Allowance for expected credit loss	**19,802**	243,377
Finance costs	**1,141,956**	873,165
Provision for employees' end of service benefits	**693,890**	402,045
Operating profit before changes in operating assets and liabilities	**9,537,244**	5,347,652
(Increase)/decrease in current assets		
Inventories	**(519,480)**	(965,866)
Trade receivables	**(4,209,677)**	(5,243,663)
Advances, deposits and other receivables	**(182,325)**	(392,586)
Increase/(decrease) in current liabilities		
Trade and other payables	**666,701**	(126,735)
Cash generated from/(used in) operations	**5,292,463**	(1,381,198)
Employees' end of services benefits paid	**(300,449)**	(430,734)
Net cash from/(used in) operating activities	**4,992,014**	(1,811,932)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(966,629)**	(156,654)
Proceeds from disposal of property, plant and equipment	**2,542,839**	-
Net cash from/(used in) investing activities	**1,576,210**	(156,654)
Cash flows from financing activities		
Shareholder's loan - net	**2,900,000**	7,490,000
Investment in joint venture	**(3,000,000)**	-
Finance costs paid	**(921,021)**	(642,102)
(Repayment) of lease liabilities	**(568,680)**	(663,450)
Net cash (used in)/from financing activities	**(1,589,701)**	6,184,448
Net increase in cash and cash equivalents	**4,978,523**	4,215,862
Cash and cash equivalents, beginning of the year	**(14,071,847)**	(18,287,709)
Cash and cash equivalents, end of the year	**(9,093,324)**	(14,071,847)
Cash and cash equivalents		
Cash in hand	**6,669**	10,340
Bank overdrafts	**(9,099,993)**	(14,082,187)
	(9,093,324)	(14,071,847)

The accompanying notes from pages 10 to 33 form an integral part of these financial statements.

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

For identification purpose only UHY James

1 Legal status and business activities

1.1 **M/s. Pidilite MEA Chemicals L.L.C,** Dubai - United Arab Emirates (the "Entity") was initially 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. The legal status of the Entity was converted to Limited Liability Company - Single Owner (LLC - SO) vide amendment to the Memorandum of Association of the Entity notarised on June 09, 2023.

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).

2 Income and deferred tax

On December 09, 2022, the U.A.E. Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal Corporate Tax (CT) regime in the U.A.E. The CT regime is effective from June 01, 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after June 01, 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% CT rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 — Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000, and a rate of 0% will apply on qualifying income of qualifying free zone entities. Subject to meeting certain conditions to be considered a Qualifying FZ Person ("QFZP"), the Entity may be subject to U.A.E. CT at (i) 0% on Qualifying Income, and (ii) 9% on taxable income that is not Qualifying Income.

The Entity will be subject to CT commencing April 01, 2024.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3 New standards and amendments

3.1 New standards and amendments applicable as on April 01, 2023

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after April 01, 2023.

3 New standards and amendments (continued)

3.1 New standards and amendments applicable as on April 01, 2023 (continued)

- IFRS 17 - *Insurance Contracts* (Including the June 2020 and December 2021 amendments)
- Deferred Tax related to Assets and Liabilities arising from Single Transaction - Amendments to IAS 12, *Income Taxes*
- International Tax Reform (Pillar Two Model Rules) - Amendments to IAS 12, *Income Taxes*
- Disclosure of Accounting Policies - Amendments to IAS 1, *Presentation of Financial Statements and IFRS Practice Statement 2*
- Definition of Accounting Estimates - Amendments to IAS 8, Accounting policies, *Changes in Accounting Estimates and Errors*

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, 2024.

Description	Effective for annual periods beginning on or after
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	January 01, 2024
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
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, 2024
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 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 as follows.

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 Significant accounting policies (continued)

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.

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:

For identification purpose only
UHY James

4 Significant accounting policies (continued)

4.6 Property, plant and equipment (continued)

	Years
Building	20
Plant and machinery	5 - 10
Vehicles	4
Furniture and fixtures	5
Office equipment	5

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.

4 Significant accounting policies (continued)

4.7 Leases (continued)

4.7.1 Entity as lessee (continued)

Lease liabilities

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

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

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

Short-term leases and leases of low-value assets

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

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:

4 Significant accounting policies (continued)

4.8 Intangible assets (continued)

Computer software (continued)

- 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;
- 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.

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 Investments in joint venture

A joint venture is joint arrangement whereby the parties have joint control of the arrangement, have right to the net assets of the joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities required unanimous consent of the parties sharing control.

The investment in joint venture is carried at cost. The Entity avails exemption to apply equity method of accounting in accordance with IAS 28 ("Investments in Associates and Joint Ventures"). M/s. Pidilite Industries Limited - India (ultimate parent), listed on stock exchange of India prepares consolidated financial statements.

For identification purpose only
UHY James

4 Significant accounting policies (continued)

4.11 Financial instruments

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

4.11.1 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.

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 Significant accounting policies (continued)

4.11 Financial instruments (continued)

4.11.2 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.

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.

4.12 Offsetting financial instruments

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

4.13 Inventories

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

4.14 Provisions

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

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

4 Significant accounting policies (continued)

4.14 Provisions (continued)

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

4.15 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.

4.16 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.

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.

4.17 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.

<u>Sale of goods</u>

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.

4 Significant accounting policies (continued)

4.17 Revenue recognition (continued)

Sale of goods (continued)

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.

4.17.1 Performance obligations

Information about the Entity's performance obligations are summarized as follows.

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.

4.18 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 as follows.

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.

4 Significant accounting policies (continued)

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

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 as follows.

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.

For identification purpose only
UHY
James

5 Property, plant and equipment

	Building	Plant and machinery	Vehicles	Furniture and fixtures	Office equipment	Total
Cost						
Balance as at April 01, 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
Addition during the year	**310,340**	**40,982**	**430,000**	**40,281**	**145,026**	**966,629**
Disposal during the year	-	**(4,109,071)**	**(284,820)**	-	-	**(4,393,891)**
Balance as at March 31, 2024	**23,924,682**	**4,421,879**	**994,450**	**766,086**	**829,138**	**30,936,235**
Accumulated depreciation						
Balance as at April 01, 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
Charge for the year	**1,182,376**	**539,958**	**96,417**	**6,161**	**19,577**	**1,844,489**
Eliminated on disposal during the year	-	**(3,311,749)**	**(284,819)**	-	-	**(3,596,568)**
Balance as at March 31, 2024	**10,778,679**	**3,491,533**	**549,641**	**700,489**	**559,908**	**16,080,250**
Carrying value as at March 31, 2024	**13,146,003**	**930,346**	**444,809**	**65,597**	**269,230**	**14,855,985**
Carrying value as at March 31, 2023	14,018,039	2,226,644	111,227	31,477	143,781	16,531,168

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, 2024	2023
Cost of revenue	23	**1,142,970**	1,242,124
Administrative expenses	26	**701,519**	700,522
		1,844,489	1,942,646

For identification purpose only UHY James

6	**Intangible assets**	**Trademark**	**Software**	**Total**
	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
	As at March 31, 2024	**979,050**	**320,714**	**1,299,764**
	Accumulated amortisation			
	Amortisation during the year (note 26)	-	64,143	64,143
	As at March 31, 2023	-	64,143	64,143
	Amortisation during the year (note 26)	**-**	**90,151**	**90,151**
	As at March 31, 2024	**-**	**154,294**	**154,294**
	Carrying value as at March 31, 2024	**979,050**	**166,420**	**1,145,470**
	Carrying value as at March 31, 2023	979,050	256,571	1,235,621

7	**Investment in joint venture**	**Percentage of ownership**		**2024**	2023
		2024	2023		
	M/s. Pidilitepuma MEA chemicals L.L.C, Dubai - U.A.E	50%	-	**3,000,000**	**-**

The principal activity of the investee is to manufacture and trade tile adhesives, and grout. The Entity has joint control over the investee.

The investment in joint venture is carried at cost. The Entity avails exemption to apply equity method of accounting in accordance with IAS 28 ("Investments in Associates and Joint Ventures"). M/s. Pidilite Industries Limited - India (ultimate parent), listed on stock exchange of India prepares consolidated financial statements.

8	**Right-of-use asset**	**Land lease**
	Cost	
	As at April 01, 2022	8,750,455
	As at March 31, 2023	8,750,455
	As at March 31, 2024	**8,750,455**
	Accumulated depreciation	
	As at April 01, 2022	1,745,885
	Charge for the year	500,328
	As at March 31, 2023	2,246,213
	Charge for the year	**500,328**
	As at March 31, 2024	**2,746,541**
	Carrying value as at March 31, 2024	**6,003,914**
	Carrying value as at March 31, 2023	6,504,242

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	**2024**	2023
Cost of revenue	23	**135,089**	135,089
Administrative expenses	26	**365,239**	365,239
		500,328	500,328

		2024	2023
9	**Inventories**		
	Raw materials	**2,042,086**	3,578,586
	Packing materials	**418,574**	678,198
	Spare parts	**71,725**	65,380
	Goods held for trading - trading division	**6,379,646**	4,958,521
	Goods held for trading - manufacturing division	**407,847**	368,937
	Finished goods	**1,333,958**	1,404,853
		10,653,836	11,054,475
	Goods-in-transit	**2,910,840**	2,262,489
	Less: Allowances for slow moving inventories	**(1,600,501)**	(1,403,686)
		11,964,175	11,913,278

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

	2024	2023
Balance at the beginning of the year	**1,403,686**	987,677
Add: Charge during the year (note 26)	**468,583**	416,009
Less: Written off during the year	**(271,768)**	-
Balance at the end of the year	**1,600,501**	1,403,686

			2024	2023
10	**Trade receivables**			
	Trade receivables	- others	**32,625,891**	30,106,664
		- related party	**1,776,000**	85,550
			34,401,891	30,192,214
	Less: Allowance for expected credit loss		**(1,886,247)**	(1,866,445)
			32,515,644	28,325,769

The average credit period for the trade receivables is 90/120 days (2023: 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, 2024, there are 5 customers (2023: 5 customers) representing 20% (2023: 15%) of the total receivables.

	2024	2023
Ageing of trade receivables that are neither past nor due:		
Not due	**27,579,295**	25,764,017
Ageing of trade receivables that are past due:		
1 - 90 days	**5,065,970**	2,577,526
91 - 180 days	**128,903**	199,414
181 - 270 days	**4,969**	108,336
271 - 360 days	**58,224**	201,380
361 days and above	**1,564,530**	1,341,541
	34,401,891	30,192,214

10 Trade receivables (continued)

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.

	2024	2023
Expected credit loss rate	**5.5%**	6.2%
Estimated total gross carrying amount at default	**34,401,891**	30,192,214
Amounts not past due	**27,579,295**	25,764,017
Lifetime expected credit loss	**1,886,247**	1,866,445
Net carrying amount	**32,515,644**	28,325,769

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

Balance at the beginning of the year	**1,866,445**	1,962,604
Add: Charge during the year (note 26)	**19,802**	243,377
Less: Written off during the year	**-**	(339,536)
Balance at the end of the year	**1,886,247**	1,866,445

Geographical analysis:

The geographical analysis of trade receivables are as follows:

Within U.A.E.	**30,731,561**	27,337,583
Within other G.C.C. countries	**3,415,416**	2,669,987
Others	**254,914**	184,644
	34,401,891	30,192,214

11 Advances, deposits and other receivables

Prepayments	**987,556**	808,238
Deposits	**269,510**	269,510
Advances to suppliers	**302,730**	329,516
Staff loans and advances	**22,834**	40,495
Other receivables	**717,466**	670,012
	2,300,096	2,117,771

12 Cash balances

Cash in hand	**6,669**	10,340

13 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.

The Entity's 100% control and management are vested with M/s. Pidilite Middle East Limited effective from June 09, 2023.

For identification purpose only
UHY James

13 Share capital (continued)

The details of the shareholding as at the reporting date are as follows:

Name of shareholder	Domicile	Percentage 2024	Percentage 2023	No. of shares 2024	No. of shares 2023	2024	2023
M/s. Pidilite Middle East Limited	U.A.E.	100	49	300	300	**300,000**	300,000

14 Statutory reserve

	2024	2023
Transferred from net profits (note 15)	**150,000**	-
Balance at the end of the year	**150,000**	-

According to the Memorandum of Association of the Entity and U.A.E. Federal Commercial Companies Law, 5% (2023: Nil) of annual net profits is allocated to the statutory reserve. The transfer to statutory reserve has been suspended, on the reserve reaching 50% of the paid capital. This reserve is not available for distribution.

	2024	2023
15 Accumulated (losses)		
Balance at the beginning of the year	**(81,644,344)**	(82,550,283)
Profit for the year	**6,523,560**	905,939
Transferred to statutory reserve (note 14)	**(150,000)**	-
Balance at the end of the year	**(75,270,784)**	(81,644,344)
16 Shareholder's loan		
Balance at the beginning of the year	**99,007,469**	91,517,469
Received during the year - net	**2,900,000**	7,490,000
Balance at the end of the year	**101,907,469**	99,007,469

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

17 Bank borrowings

	2024	2023
Bank overdrafts	**9,099,993**	14,082,187

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

18 Employees' end of service benefits

	2024	2023
Balance at the beginning of the year	**2,810,027**	2,838,716
Add: Charge for the year	**693,890**	402,045
Less: Paid during the year	**(300,449)**	(430,734)
Balance at the end of the year	**3,203,469**	2,810,027

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.

19 Lease liabilities

	2024	2023
Balance at the beginning of the year	**7,718,615**	8,151,002
Add: Interest for the year (note 27)	**220,935**	231,063
Less: Paid during the year	**(568,680)**	(663,450)
Balance at the end of the year	**7,370,870**	7,718,615

For identification purpose only UHY James

		2024	2023
19	**Lease liabilities (continued)**		
	Comprising:		
	Current portion	**358,177**	347,745
	Non-current portion	**7,012,693**	7,370,870
		7,370,870	7,718,615

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, 2024	Within 1 year	1 to 5 years	More than 5 years	Total
Lease payments - undiscounted	**568,680**	**2,650,218**	**5,620,495**	**8,839,393**
Less: Finance charges	**(210,503)**	**(712,682)**	**(545,338)**	**(1,468,523)**
Net present value	**358,177**	**1,937,536**	**5,075,157**	**7,370,870**
March 31, 2023				
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

Amounts recognised in statement of profit or loss and other comprehensive income:	For the year ended March 31, 2024	2023
Interest on lease liabilities (note 27)	**220,935**	231,063
Depreciation expense (notes 8, 23 and 26)	**500,328**	500,328
Payments not included in the measurement of the lease liability:		
Expenses related to short term leases	**229,143**	231,588
Net impact for the year	**950,406**	962,979
Amounts recognised in statement of cash flows:		
Total cash outflows for leases	**568,680**	663,450

		2024	2023
20	**Trade and other payables**		
	Trade payables - related parties	**14,776,156**	13,106,156
	- others	**6,748,277**	9,051,391
	Advances from customers	**128,845**	61,408
	Provisions and accruals	**2,812,643**	1,654,892
	VAT payable - net	**565,015**	490,389
		25,030,936	24,364,235

21 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 identification purpose only
UHY
James

	For the year ended March 31,	
21 Related party transactions (continued)		
Transactions with related parties (continued)	**2024**	2023
Sales		
Ultimate Parent Company		
M/s. Pidilite Industries Limited - India	**111,000**	-
Entities under common management and control		
M/s. Nina precept Pvt. Limited- India	**6,107**	-
M/s. Pidilitepuma MEA Chemicals L.L.C, Dubai - U.A.E	**692,097**	-
M/s. Pidilite East Africa Limited - Kenya	**649,651**	267,475
	1,458,855	267,475
Purchases		
Ultimate Parent Company		
M/s. Pidilite Industries Limited - India	**40,834,413**	37,025,177
Entities under common management and control		
M/s. Pidilite (Lanka) Private Limited - Sri Lanka	**-**	89,689
M/s. CORPORACION EMPRESARIAL GRUPO PUMA SL - Spain	**351,830**	-
Joint venture		
M/s. Pidilitepuma MEA Chemicals L.L.C	**575,530**	-
	41,761,773	37,114,866
Royalty expenses		
Ultimate Parent Company		
M/s. Pidilite Industries Limited - India	**490,907**	516,808
Administrative expenses charged by related parties		
Ultimate Parent Company		
M/s. Pidilite Industries Limited - India	**332,327**	353,504
Entity under common management and control		
M/s. Pidilite Industries Limited - U.A.E.	**1,801,050**	763,776
	2,133,377	1,117,280
Reimbursement for cost of destruction of goods		
Ultimate Parent Company		
M/s. Pidilite Industries Limited - India	**164,528**	-
Other expenses charged to a related party		
Entity under common management and control		
M/s. Pidilite Industries Limited - U.A.E.	**3,281,133**	3,381,956
Key management personnel compensation		
Director's fee	**25,000**	30,000
Sale of property, plant and equipment		
Entity under common management and control		
M/s. Pidilite Grupopuma Manufacturing Ltd - India	**116,875**	-
Joint venture		
M/s. Pidilitepuma MEA Chemicals L.L.C	**2,300,000**	-
	2,416,875	-

		For the year ended March 31,	
		2024	2023
22	**Revenue**		
	Revenue from contracts with customers	**91,398,005**	81,580,054

22.1 Disaggregated revenue information

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

Segments		
Trading division	**72,650,748**	62,801,353
Manufacturing division	**18,747,257**	18,778,701
Total revenue from contracts with customers	**91,398,005**	81,580,054

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

Geographical markets		
Within U.A.E.	**80,647,210**	72,254,527
Within other G.C.C. countries	**9,424,107**	8,099,898
Others	**1,326,688**	1,225,629
Total revenue from contracts with customers	**91,398,005**	81,580,054
Timing of revenue recognition		
Revenue recognised at a point in time	**91,398,005**	81,580,054
Total revenue from contracts with customers	**91,398,005**	81,580,054

23	**Cost of revenue**		
	Cost of revenue: Trading division	**54,791,320**	52,051,433
	: Manufacturing division	**14,199,316**	15,458,896
		68,990,636	67,510,329
	- *Cost of revenue: Trading*		
	Goods held for trading at the beginning of the year	**4,958,521**	5,299,870
	Purchases (including other expenses)	**59,311,674**	51,710,084
	Goods held for trading at the end of the year (note 9)	**(6,379,646)**	(4,958,521)
	Finished goods at the end of the year	**(3,099,229)**	-
		54,791,320	52,051,433
	- *Cost of revenue: Manufacturing*		
	Raw materials and packing materials at the beginning of the year	**4,256,784**	3,477,825
	Goods held for trading at the beginning of the year	**368,937**	292,160
	Purchases	**8,611,942**	12,187,563
	Salaries and wages	**1,978,229**	1,875,654
	Other direct expenses	**502,977**	483,454
	Depreciation on property, plant and equipment (note 5)	**1,142,970**	1,242,124
	Depreciation on right-of-use asset (note 8)	**135,089**	135,089
	Raw materials and packing materials at the end of the year (note 9)	**(2,460,660)**	(4,256,784)
	Goods held for trading at the end of the year (note 9)	**(407,847)**	(368,937)
		14,128,421	15,068,148
	Finished goods at the beginning of the year	**1,404,853**	1,795,601
	Finished goods at the end of the year (note 9)	**(1,333,958)**	(1,404,853)
		14,199,316	15,458,896

		For the year ended March 31,	
		2024	2023
24	**Other income**		
	Gain on disposal of property, plant and equipment	**1,746,056**	-
	Sale of scrap	**387,996**	214,241
	Others	**21,552**	32,220
		2,155,604	246,461
25	**Selling and distribution expenses**		
	Salaries and benefits	**98,222**	427,696
	Consulting expenses	**3,689,029**	2,458,837
	Advertisement and business promotion	**872,021**	596,240
	Royalty expenses	**490,907**	524,513
	Distribution expenses	**666,305**	879,682
	Others	**127,522**	40,584
		5,944,006	4,927,552
26	**Administrative expenses**		
	Salaries and related benefits	**7,086,318**	4,067,020
	Legal, professional and related expenses	**783,786**	542,477
	Telephone and communication	**132,172**	104,735
	Utilities	**89,293**	80,294
	Repairs and maintenance	**137,092**	107,474
	Printing and stationery	**44,332**	41,163
	Security service charges	**82,940**	91,497
	Depreciation on property, plant and equipment (note 5)	**701,519**	700,522
	Amortisation on intangible assets (note 6)	**90,151**	64,143
	Depreciation on right-of-use asset (note 8)	**365,239**	365,239
	Allowance for slow moving inventories (note 9)	**468,583**	416,009
	Allowance for expected credit loss (note 10)	**19,802**	243,377
	Bank charges	**315,060**	372,477
	Others	**637,164**	413,103
		10,953,451	7,609,530
27	**Finance costs**		
	Interest on lease liabilities (note 19)	**220,935**	231,063
	Bank interest	**921,021**	642,102
		1,141,956	873,165

28 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.

For identification purpose only
UHY James

28 Financial instruments (continued)

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,	
	2024	2023	**2024**	2023
Financial assets	**Carrying amount**		**Fair value**	
Trade receivables	**32,515,644**	28,325,769	**32,515,644**	28,325,769
Deposits and other receivables	**1,009,810**	980,017	**1,009,810**	980,017
Cash balances	**6,669**	10,340	**6,669**	10,340
	33,532,123	29,316,126	**33,532,123**	29,316,126
Financial liabilities				
Bank borrowings	**9,099,993**	14,082,187	**9,099,993**	14,082,187
Trade and other payables	**24,902,091**	24,302,827	**24,902,091**	24,302,827
Lease liabilities	**7,370,870**	7,718,615	**7,370,870**	7,718,615
	41,372,954	46,103,629	**41,372,954**	46,103,629

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.

29 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:

UHY James
For identification purposes only

29 Financial risk management objectives (continued)

a) *Foreign currency risk management (continued)*

	Equivalent to AED	
	Liabilities	
	2024	2023
Euro	**604,267**	272,510
GBP	**54,792**	51,528
SAR	**46,512**	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	
	2024	2023
Euro	**(12,085)**	(5,450)
GBP	**(1,096)**	(1,031)
SAR	**(930)**	(2,791)

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

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 45,500 (2023: (decrease)/increase by AED 70,411).

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 on the following page 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 shown on the following page:

29 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, 2024			
Financial assets							
Trade receivables	-	-	-	-	**32,515,644**	-	**32,515,644**
Deposits and other receivables	-	-	-	-	**1,009,810**	-	**1,009,810**
Cash balances	-	-	-	**6,669**	-	-	**6,669**
	-	-	-	**6,669**	**33,525,454**	-	**33,532,123**
Financial liabilities							
Bank borrowings	**9,099,993**	-	-	-	-	-	**9,099,993**
Trade and other payables	-	-	-	-	**24,902,091**	-	**24,902,091**
Lease liabilities	**88,554**	**269,623**	**7,012,693**	-	-	-	**7,370,870**
	9,188,547	**269,623**	**7,012,693**	-	**24,902,091**	-	**41,372,954**
				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

d) *Credit risk management*

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

Trade receivables consist of a few number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. Further details of credit risks on trade and other receivables are discussed in notes 10 and 11 to the financial statements.

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

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

30 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 equity comprising issued capital, statutory reserve, accumulated (losses) and shareholder's loan as disclosed in the financial statements.

	As at March 31,	
31 Contingent liabilities	**2024**	2023
Bank guarantee	-	367,275

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.

32 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.

33 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.

For identification purposes only
UHY James