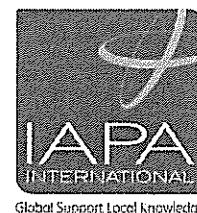


Helmi Talib & Co

Chartered Accountants of Singapore
An Independent Member Firm of IAPA



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PIDILITE INNOVATION CENTRE PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of PIDILITE INNOVATION CENTRE PTE. LTD. (the Company), which comprise the statement of financial position as at 31 March 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of comprehensive income and statement of financial position and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

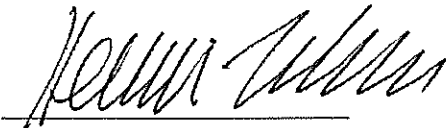
Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, so as to give a true and fair view of the state of affairs of the Company as at 31 March 2015 and the results, changes in equity and cash flows of the Company for the financial year ended on that date.

Helmi Talib & Co

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



HELMI TALIB & CO
Public Accountants and
Chartered Accountants

Singapore

Date: 27 April 2015

PIDILITE INNOVATION CENTRE PTE. LTD.
Company Registration No.: 200619063N

STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 March 2015

	Note	<u>2015</u> SGD	<u>2014</u> SGD
Revenue	4	1,851,582	2,123,761
Other income	5	741,365	580,734
Changes in inventories of finished goods		16,612	54,086
Purchases consumed and related costs	6	(1,076,023)	(1,457,090)
Employee benefits expense	7	(743,939)	(713,173)
Depreciation of plant and equipment		(25,305)	(30,740)
Finance costs	8	(1,525)	(2,141)
Other expenses	9	(302,753)	(285,723)
Profit before taxation		460,014	269,714
Income tax expense	10 (a)	(73,084)	(53,499)
Profit for the year		<u>386,930</u>	<u>216,215</u>
Total Comprehensive Income		<u>386,930</u>	<u>216,215</u>

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

PIDILITE INNOVATION CENTRE PTE. LTD.
Company Registration No.: 200619063N

STATEMENT OF FINANCIAL POSITION
As at 31 March 2015

	Note	<u>2015</u> SGD	<u>2014</u> SGD
<u>ASSETS</u>			
<u>Current assets</u>			
Cash and bank balances	11	709,983	316,315
Trade and other receivables	12	512,849	568,279
Inventories	13	227,813	192,667
Total current assets		1,450,645	1,077,261
<u>Non-current assets</u>			
Plant and equipment	14	62,394	96,679
Total non-current assets		62,394	96,679
Total assets		1,513,039	1,173,940
<u>LIABILITIES AND EQUITY</u>			
<u>Current liabilities</u>			
Trade and other payables	15	337,523	378,059
Finance lease liabilities	16	7,295	7,295
Income tax liabilities	10 (b)	-	-
Total current liabilities		344,818	385,354
<u>Non-current liabilities</u>			
Finance lease liabilities	16	7,230	14,525
Total non-current liabilities		7,230	14,525
Total liabilities		352,048	399,879
<u>Equity</u>			
Share capital	17	995,155	995,155
Retained earnings		165,836	(221,094)
Total equity		1,160,991	774,061
Total liabilities and equity		1,513,039	1,173,940

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

PIDILITE INNOVATION CENTRE PTE. LTD.
Company Registration No.: 200619063N

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 March 2015

	Note	<u>Share capital</u> SGD	<u>2015</u> Retained earnings SGD	<u>Total</u> SGD
Equity				
Balance at beginning of year		995,155	(221,094)	774,061
Comprehensive income				
Total comprehensive income for the year		-	386,930	386,930
Balance at end of year		<u>995,155</u>	<u>165,836</u>	<u>1,160,991</u>

	Note	<u>Share capital</u> SGD	<u>2014</u> Retained earnings SGD	<u>Total</u> SGD
Equity				
Balance at beginning of year		995,155	(437,309)	557,846
Comprehensive income				
Total comprehensive income for the year		-	216,215	216,215
Balance at end of year		<u>995,155</u>	<u>(221,094)</u>	<u>774,061</u>

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

PIDILITE INNOVATION CENTRE PTE. LTD.
Company Registration No.: 200619063N

STATEMENT OF CASH FLOWS
For the financial year ended 31 March 2015

	Note	<u>2015</u> SGD	<u>2014</u> SGD
Cash flows from operating activities			
Profit before taxation		460,014	269,714
Adjustments for			
Depreciation of plant and equipment		44,677	48,713
Impairment of trade receivables		4,296	3,204
Interest expense		1,525	2,141
Impairment of inventories		-	95,175
Reversal of impairment of trade receivables		-	(1,757)
Gain on disposal of plant and equipment		-	(4,500)
Interest income		(607)	-
Reversal of impairment of inventories		(9,949)	(5,604)
Unrealised foreign exchange loss		66	12
Total adjustments to profit account		<u>40,008</u>	<u>137,384</u>
Total operating cash flows before changes in working capital		<u>500,022</u>	<u>407,098</u>
Changes in working capital			
Adjustments for decrease (increase) in trade and other receivables		51,134	(227,079)
Adjustments for increase in inventories		(25,197)	(62,293)
Adjustments for (decrease) increase in trade and other payables		(40,536)	144,105
Total changes in working capital		<u>(14,599)</u>	<u>(145,267)</u>
Cash generated from operations		485,423	261,831
Interest received		607	-
Interest paid		(1,525)	(2,141)
Income taxes paid		(73,084)	(53,499)
Net cash flows from operating activities		<u>411,421</u>	<u>206,191</u>
Cash flows used in investing activities			
Proceeds from disposal of plant and equipment		-	4,500
Purchase of plant and equipment		(10,392)	(50,035)
Net cash flows used in investing activities		<u>(10,392)</u>	<u>(45,535)</u>
Cash flows used in financing activities			
Repayment of short term loans		-	(100,000)
Payments of obligations under finance leases		(7,295)	(7,295)
Net cash flows used in financing activities		<u>(7,295)</u>	<u>(107,295)</u>
Net increase (decrease) in cash and bank balances before effect of exchange rate changes		393,734	53,361
Effect of exchange rate changes in balance of cash held in foreign currencies		(66)	(12)
Net increase in cash and cash balances		<u>393,668</u>	<u>53,349</u>
Cash and bank balances at beginning of year		316,315	262,966
Cash and bank balances at end of year	11	<u>709,983</u>	<u>316,315</u>
Net cash flows			
Net cash flows from operating activities		411,421	206,191
Net cash flows used in investing activities		(10,392)	(45,535)
Net cash flows used in financing activities		(7,295)	(107,295)

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

PIDILITE INNOVATION CENTRE PTE. LTD.

Company Registration No.: 200619063N

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 CORPORATE INFORMATION

The Company is domiciled and incorporated in the Republic of Singapore on 20 December 2006 as PIDILITE INNOVATION CENTRE PTE. LTD.

The financial statements of the Company for the financial year ended 31 March 2015 were authorised for issue in accordance with a resolution as at date of Statement by Directors.

The registered office and principal place of business of the Company is located at 61 Science Park Road, #03-11/12, The Galen, Singapore 117525.

The principal activities of the Company are those of research and development on chemicals including manufacturing and trading of waterproofing and emulsion paints.

There have been no significant changes in the nature of these activities during the financial year.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are prepared in accordance with and comply with Singapore Financial Reporting Standards (FRS). The financial statements are prepared under the historical cost basis except as disclosed in the accounting policies below.

The preparation of financial statements requires the use of estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the financial year. These estimates are based on directors' best knowledge of current events, actual results may ultimately differ from those estimates. The key estimates and judgments made that have a material effect are those relating to depreciation and income tax.

The financial statements are expressed in Singapore Dollar (SGD or \$).

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year.

2.2 Changes in accounting policies

On 1 April 2014, the Company adopted the new and amended FRS and interpretations to FRS (INT FRS) that are mandatory for application from that date. Changes to the Company's accounting policies have been as required in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new and amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current financial year or prior financial year.

PIDILITE INNOVATION CENTRE PTE. LTD.

Company Registration No.: 200619063N

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards issued

The following improvement to FRSs have become effective for annual period beginning on and after 1st July 2014:

	<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
<i>Improvements to FRSs</i>		
Amendments to		
FRS 16	: Property, Plant and Equipment	1 July 2014
FRS 24	: Related Party Disclosures	1 July 2014
FRS 113	: Fair Value Measurement	1 July 2014

As the Company's financial period begins on 1 April 2014, these are not required to be adopted for the financial year ended 31 March 2015. The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

2.4 Functional and foreign currency

(a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services, including major operating expenses are primarily influenced by fluctuations in SGD.

(b) Foreign currency

Transactions in a foreign currency are measured in the respective functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in a foreign currency are translated at the closing rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or a translating monetary item at the end of the reporting period are recognised in profit or loss.

2.5 Cash and bank balances

Cash and bank balances comprise of cash at bank, fixed deposit and cash on hand. Cash carried in the statement of financial position is classified and accounted for as loans and receivables under FRS 39.

PIDILITE INNOVATION CENTRE PTE. LTD.

Company Registration No.: 200619063N

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets

(a) Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instruments. The Company determines the classification of its financial assets at its initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus transaction costs.

(b) Regular way purchase and sale of financial assets

All regular way purchases and sale of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets, within the period generally established by regulation or convention in the market place concerned.

(c) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Company classifies the following financial assets as loans and receivables:

- cash and bank balances
- trade and other receivables, including amount due from related parties

(d) Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

When the financial asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred; the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2015

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials, packaging materials and trading finished goods – Purchases costs on a moving average method; and
- Manufactured finished goods – Raw materials costs are assigned on a moving average method.
- Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.9 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment. The cost of plant and equipment initially recognised includes its purchase price and any directly attributable costs of bringing the plant and equipment to working condition for its intended use. Dismantlement, removal or restoration cost are included as part of the cost of plant and equipment if obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the items. Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in profit or loss when incurred.

Depreciation is calculated on a straight line basis over their estimated useful lives of the assets as follows:

Laboratory equipment	-	5 years
Computers	-	3 years
Furniture and fixtures	-	5 years
Manufacturing equipment	-	5 years
Office equipment	-	5 years
Motor vehicle	-	5 years
Renovation	-	5 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect to those plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2015

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Plant and equipment (Continued)

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.10 Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

An impairment loss is only revised to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or impairment, if no impairment loss had been recognised. All reversals of impairment are recognised in profit or loss.

2.11 Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities include trade payables, which are normally settled on 30 to 60 days term, other amount payables and payables to related parties.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

(b) Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

(c) De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

PIDILITE INNOVATION CENTRE PTE. LTD.

Company Registration No.: 200619063N

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events where it is probable that it will result in an outflow of economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.13 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity.

2.14 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal instalments.

2.15 Employee benefits

(a) Defined contribution plan

As required by law, the Company makes contributions to the Central Provident Fund in Singapore. Such contributions are recognised as compensation expenses in the same period as the employment that gives rise to the contribution. The Company has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they are accrued to employees. Unused annual leave are not allowed to be carried forward to the following calendar year.

2.16 Operating leases

Leases where the lessor effectively retains substantially all the risk and benefit of ownership of the lease term, are classified as operating leases.

Operating lease payments are charged to profit or loss on a straight line basis over the period of the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

PIDILITE INNOVATION CENTRE PTE. LTD.

Company Registration No.: 200619063N

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Research and development fees

Research and development fees are recognised when the services are rendered and mutually accepted by the parties as per related terms and conditions.

(b) Technical consultancy fees

Revenue from technical consultancy fees are recognised when services are rendered in accordance with the Technical Consultancy Services Agreement.

(c) Sale of goods

Income from the sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.

(d) Royalty income

Royalty income is recognised as and when sales of goods are recognised and in accordance with the substance of the relevant agreement.

(e) Interest income

Interest income is recognised as interest accrues.

2.18 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except that tax relating to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

PIDILITE INNOVATION CENTRE PTE. LTD.

Company Registration No.: 200619063N

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Taxes (Continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

PIDILITE INNOVATION CENTRE PTE. LTD.

Company Registration No.: 200619063N

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Taxes (Continued)

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

2.19 Related party

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

PIDILITE INNOVATION CENTRE PTE. LTD.

Company Registration No.: 200619063N

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

3 HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The Company's ultimate holding company is Pidilite Industries Limited, a company incorporated in India. The Company's holding company is Pidilite International Pte. Ltd., a company incorporated in Singapore. The related party transactions are between the Company and its ultimate holding company and members of the ultimate holding company's group of companies. The effects of these transactions are on the basis determined between the parties are reflected in the financial statements. The related party balances are unsecured, interest-free and repayable on demand unless otherwise stated.

(a) Significant related party transactions

	<u>2015</u>	<u>2014</u>
	\$	\$
<i><u>Ultimate holding company, Pidilite Industries Limited</u></i>		
R&D fees	(702,000)	(702,000)
Royalty income	(718,246)	(525,878)
Technical consultancy fees	(60,000)	(60,000)
Sales	(19,497)	(1,376)
Purchases	92,890	91,720
Reimbursement	<u>281,840</u>	<u>131,611</u>

As at 31 March 2015, the Company has trade and other receivables amounting to \$227,977 (2014: \$114,493) and trade payables amounting to \$40,368 (2014: \$13,200) due from/to its ultimate holding company, Pidilite Industries Limited, respectively.

	<u>2015</u>	<u>2014</u>
	\$	\$
<i><u>Related party, Pidilite Bamco Limited</u></i>		
Royalty income	(8,396)	(6,065)
Reimbursement of expenses	-	3,774
Purchases	<u>467,432</u>	<u>777,198</u>

As at 31 March 2015, the Company has trade payables of \$178,632 (2014: \$232,560) and trade receivables of \$1,196 (2014: \$1,267) due to/from its related party, Pidilite Bamco Limited, respectively.

	<u>2015</u>	<u>2014</u>
	\$	\$
<i><u>Director</u></i>		
Advances to	<u>-</u>	<u>50,000</u>

As at 31 March 2015, the Company has other receivables of NIL (2014: \$47,222) due from its director. During the financial year, amount due from director was fully collected.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2015

3 HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

	<u>2015</u>	<u>2014</u>
	\$	\$
<i>Director</i>		
Director's remuneration and bonus	227,280	220,240
Director's CPF	13,750	13,600
Other benefits	13,200	10,200
	<u>254,230</u>	<u>244,040</u>

4 REVENUE

	<u>2015</u>	<u>2014</u>
	\$	\$
Sales	1,089,582	1,361,761
Research and development fees	702,000	702,000
Technical consultancy fees	60,000	60,000
	<u>1,851,582</u>	<u>2,123,761</u>

5 OTHER INCOME

	<u>2015</u>	<u>2014</u>
	\$	\$
Royalty income	726,642	531,943
Government grants	11,443	41,743
Interest income - bank	607	-
Gain on disposal of plant and equipment	-	4,500
Miscellaneous income	2,673	2,548
	<u>741,365</u>	<u>580,734</u>

6 PURCHASES CONSUMED AND RELATED COSTS

	<u>2015</u>	<u>2014</u>
	\$	\$
Purchases – Raw materials and packaging	858,224	1,217,544
Labour	93,738	97,548
Rental – Factory	79,235	87,249
Other related costs	25,454	36,776
Depreciation of plant and equipment	19,372	17,973
	<u>1,076,023</u>	<u>1,457,090</u>

PIDILITE INNOVATION CENTRE PTE. LTD.*Company Registration No.: 200619063N***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 March 2015***7 EMPLOYEE BENEFITS EXPENSE**

	<u>2015</u>	<u>2014</u>
	\$	\$
Staff salaries and bonuses (including director)	604,070	583,813
Central Provident Fund contribution (including director)	80,798	75,217
Employee benefits (including director)	59,071	54,143
	<u>743,939</u>	<u>713,173</u>

8 FINANCE COSTS

	<u>2015</u>	<u>2014</u>
	\$	\$
Interest on finance lease	1,525	1,525
Interest on bank	-	616
	<u>1,525</u>	<u>2,141</u>

9 OTHER EXPENSES

	<u>2015</u>	<u>2014</u>
	\$	\$
Rental expenses – office premises	138,165	145,036
Legal and professional fees	19,205	17,993
Office expenses	16,132	13,950
License and permits	17,725	13,654
Utilities	11,646	12,288
Foreign exchange loss	5,484	2,320
Impairment of trade receivables	4,296	3,204
Travelling expenses	1,559	4,725
Reversal of impairment of trade receivables	-	(1,757)
Miscellaneous	88,541	74,310
	<u>302,753</u>	<u>285,723</u>

10 INCOME TAX EXPENSE*(a) Income tax expense*

Tax expense attributable to profits is made up of:

	<u>2015</u>	<u>2014</u>
	\$	\$
Current income tax provision	-	-
Withholding tax on royalty	73,084	53,499
	<u>73,084</u>	<u>53,499</u>

NOTES TO THE FINANCIAL STATEMENTS
 For the financial year ended 31 March 2015

10 INCOME TAX (EXPENSE) BENEFIT (Continued)

(a) *Income tax expense (Continued)*

The income tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before taxation due to the following factors:

	<u>2015</u>	<u>2014</u>
	\$	\$
Profit before taxation	<u>460,014</u>	<u>269,714</u>
Tax calculated at a tax rate of 17%	78,202	45,851
Expenses not deductible for tax purposes	1,872	2,694
Income not taxable	(1,946)	(4,546)
Utilisation of tax losses and capital allowances	<u>(78,128)</u>	<u>(43,999)</u>
	-	-
Foreign tax withheld on royalty	<u>73,084</u>	<u>53,499</u>
	<u>73,084</u>	<u>53,499</u>

As at the end of the reporting period, the Company has unutilised tax losses and capital allowances of approximately \$124,700 (2014: \$629,000) which can, subject to the provision of Section 37 and Section 23 of the Income Tax Act, be carried forward for set-off against future taxable profits.

(b) *Movements in tax liability*

	<u>2015</u>	<u>2014</u>
	\$	\$
Balance at beginning of financial year	-	-
Tax paid	(73,084)	(53,499)
<i>Tax expense on profit:</i>		
- Current financial year	-	-
- Withholding tax on royalty	<u>73,084</u>	<u>53,499</u>
Balance at end of financial year	<u>-</u>	<u>-</u>

11 CASH AND BANK BALANCES

	<u>2015</u>	<u>2014</u>
	\$	\$
Cash at bank	359,793	316,302
Fixed deposit	350,000	-
Cash in hand	190	13
	<u>709,983</u>	<u>316,315</u>

Cash at bank is held in interest bearing accounts and earn interest at floating rate based on the daily bank deposit rates.

PIDILITE INNOVATION CENTRE PTE. LTD.*Company Registration No.: 200619063N***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 March 2015***11 CASH AND BANK BALANCES (Continued)**

The fixed deposit will mature 4 months from the financial year end and earns an interest of 0.42% (2014: NIL) per annum.

For the purpose of the statement of cash flows, cash and bank balances are comprised of the balances as shown above.

Cash and bank balances are denominated in the following currencies:

	<u>2015</u>	<u>2014</u>
	\$	\$
Singapore Dollar	708,994	315,337
United States Dollar	989	978
	<u>709,983</u>	<u>316,315</u>

12 TRADE AND OTHER RECEIVABLES

	<u>2015</u>	<u>2014</u>
	\$	\$
<u>Trade receivables</u>		
Related parties (Note 3)	229,173	95,475
Outside parties	221,567	346,511
	<u>450,740</u>	<u>441,986</u>
Less: Allowance for impairment losses	(7,642)	(3,346)
	<u>443,098</u>	<u>438,640</u>
<u>Other Receivables</u>		
Deposits	52,482	53,713
Prepayments	10,570	4,255
GST receivable	6,411	464
Interest receivable	288	-
Advances to director (Note 3)	-	47,222
Related parties (Note 3)	-	20,285
Advances to employee	-	3,700
	<u>69,751</u>	<u>129,639</u>
	<u>512,849</u>	<u>568,279</u>
Total trade and other receivables (excluding prepayments)	502,279	564,024
Add: Cash and bank balances (Note 11)	709,983	316,315
Total loans and receivables	<u>1,212,262</u>	<u>880,339</u>

Trade receivables

Trade receivables are recognised at their original invoiced amounts which represent their fair values on initial recognition. Trade receivables are non-interest bearing and are settled as per terms mutually agreed between the parties. Trade receivables are considered to be of short duration and are not discounted and the carrying values approximate its fair value.

NOTES TO THE FINANCIAL STATEMENTS
 For the financial year ended 31 March 2015

12 TRADE AND OTHER RECEIVABLES (Continued)

Receivables due from related parties are trade in nature, unsecured, interest-free and repayable on demand. These amounts are to be settled in cash.

Amount due from director is unsecured, interest-free and repayable on demand. This amount is to be settled in cash. During the financial year, amount due from director was fully collected.

Receivables that are past due but not impaired

The Company has trade receivables amounting to \$42,525 (2014: \$51,612) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	<u>2015</u>	<u>2014</u>
	\$	\$
<i>Trade receivables that are past due</i>		
Lesser than 30 days	33,687	42,800
31 to 60 days	-	610
61 to 90 days	-	1,149
More than 90 days	8,838	7,053
	<u>42,525</u>	<u>51,612</u>

Receivables that are impaired

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment as follows:

	<u>2015</u>	<u>2014</u>
	\$	\$
Trade receivables – Nominal amounts	7,642	3,346
Less: Allowance for impairment losses	<u>(7,642)</u>	<u>(3,346)</u>
	-	-

Movement in allowance accounts

Balance at beginning of financial year	3,346	2,402
Charge for the financial year	4,296	3,204
Written off during the financial year	-	(503)
Reversal of impairment	-	(1,757)
Balance at end of financial year	<u>7,642</u>	<u>3,346</u>

Trade receivables that are individually determined to be impaired at the reporting date relates to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Trade and other receivables are denominated in Singapore Dollar.

PIDILITE INNOVATION CENTRE PTE. LTD.

Company Registration No.: 200619063N

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

13 INVENTORIES*(a) Statement of financial position*

	<u>2015</u>	<u>2014</u>
	\$	\$
Raw materials	184,933	183,475
Finished goods	72,776	81,345
Finished goods in-transit	51,021	25,840
Packaging materials	4,458	5,786
Less: Allowance for stock obsolescence	<u>(85,375)</u>	<u>(103,779)</u>
	<u>227,813</u>	<u>192,667</u>

(b) Analysis of allowance for stock obsolescence

	<u>2015</u>	<u>2014</u>
	\$	\$
Balance at beginning of financial year	103,779	14,208
Addition during the year	-	95,175
Reversal	(9,949)	(5,604)
Written off	<u>(8,455)</u>	<u>-</u>
Balance at end of financial year	<u>85,375</u>	<u>103,779</u>

(c) Statement of comprehensive income

Inventories amounting to \$858,224 (2014: \$1,217,544) were recognised as an expense in purchase consumed and related cost in the statement of comprehensive income.

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PIDLITE INNOVATION CENTRE PTE. LTD.
Company Registration No.: 200619063N

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2015

14 PLANT AND EQUIPMENT

	Lab equipment \$	Computers \$	Furniture & fixtures \$	Manufacturing equipment \$	Office equipment \$	Motor vehicle \$	Renovation \$	Total \$
Cost								
At 31 March 2013	573,498	12,401	40,107	62,568	39,652	63,888	376,119	1,168,233
Additions	1,070	14,122	-	26,166	6,577	-	2,100	50,035
Disposals	-	(2,807)	-	(22,540)	(14,515)	-	-	(39,862)
At 31 March 2014	574,568	23,716	40,107	66,194	31,714	63,888	378,219	1,178,406
Additions	9,692	-	469	231	-	-	-	10,392
Disposals	-	(895)	-	-	-	-	-	(895)
At 31 March 2015	584,260	22,821	40,576	66,425	31,714	63,888	378,219	1,187,903
Accumulated depreciation								
At 31 March 2013	536,360	8,940	40,047	59,425	32,531	38,334	357,239	1,072,876
Charges for the year	20,182	4,596	60	5,196	2,027	12,777	3,875	48,713
Disposals	-	(2,807)	-	(22,540)	(14,515)	-	-	(39,862)
At 31 March 2014	556,542	10,729	40,107	42,081	20,043	51,111	361,114	1,081,727
Charges for the year	12,150	5,833	63	6,595	2,999	12,777	4,260	44,677
Disposals	-	(895)	-	-	-	-	-	(895)
At 31 March 2015	568,692	15,667	40,170	48,676	23,042	63,888	365,374	1,125,509
Net carrying amount								
At 31 March 2014	18,026	12,987	-	24,113	11,671	12,777	17,105	96,679
At 31 March 2015	15,568	7,154	406	17,749	8,672	-	12,845	62,394

Of the depreciation charge for the year of \$44,677 (2014: \$48,713) depreciation amounting to \$19,372 (2014: \$17,973) is included in purchases consumed and related costs. The carrying amount of plant and equipment held under finance leases at the end of the reporting period is NIL (2014: \$12,777). Leased assets are pledged as security for the related finance lease liabilities (Note 16).

PIDILITE INNOVATION CENTRE PTE. LTD.*Company Registration No.: 200619063N***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 March 2015***15 TRADE AND OTHER PAYABLES**

	<u>2015</u>	<u>2014</u>
	\$	\$
<u>Trade payables</u>		
Related parties (Note 3)	219,000	245,760
Outside parties	<u>35,390</u>	<u>37,093</u>
	<u>254,390</u>	<u>282,853</u>
 <u>Other payables</u>		
Accrued operating expenses	<u>83,133</u>	<u>95,206</u>
	<u>83,133</u>	<u>95,206</u>
	<u>337,523</u>	<u>378,059</u>
 Total trade and other payables	337,523	378,059
Add: Finance lease liabilities (Note 16)	14,525	21,820
Total financial liabilities carried at amortised cost	<u>352,048</u>	<u>399,879</u>

Trade payables

Trade payables, including amounts due to related parties are unsecured, interest-free and are normally settled in 60 days term. Trade payables are recognised at their original invoiced amounts which represent their fair values on initial recognition. Trade payables are non-interest bearing and are settled as per terms mutually agreed between the parties. Trade payables are considered to be of short duration and are not discounted and the carrying values approximate its fair values.

Amount due to related parties are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in Singapore Dollar.

16 FINANCE LEASE LIABILITIES

The Company leases certain motor vehicle from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Company with options to purchase the leased assets at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payment are as follows:

	<u>2015</u>	<u>2014</u>
	\$	\$
Within one financial year	8,820	8,820
Within two to five financial years	<u>8,754</u>	<u>17,574</u>
Total minimum lease payments	17,574	26,394
Finance charges allocated to future periods	<u>(3,049)</u>	<u>(4,574)</u>
Present value of minimum lease payment	14,525	21,820
Present value within one financial year	<u>(7,295)</u>	<u>(7,295)</u>
Present value after one financial year	<u>7,230</u>	<u>14,525</u>

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2015

16 FINANCE LEASE LIABILITIES (Continued)

The finance lease bears interest at an average rate of 2.99% (2014: 2.99%) per annum. The Company's obligation under finance lease is secured by the lessor's title to the motor vehicle (Note 14).

The finance lease liabilities are denominated in Singapore Dollar.

17 SHARE CAPITAL

Issued and fully paid ordinary share capital, with no par value

	<u>2015</u>		<u>2014</u>	
	<u>No. of shares</u>	<u>\$</u>	<u>No. of shares</u>	<u>\$</u>
Balance at beginning and end of financial year	<u>653,341</u>	<u>995,155</u>	<u>653,341</u>	<u>995,155</u>

18 OPERATING LEASE COMMITMENTS

The Company had entered into a non-cancellable operating lease on its office premises and factory. There are no restrictions placed upon the Company by entering into the lease. The leases have varying terms and renewal rights. Rental payments under operating lease payments recognised in profit or loss during the financial year amounted to \$217,400 (2014: \$232,285).

Future minimum lease payables under non-cancellable operating leases at 31 March are as follows:

	<u>2015</u>	<u>2014</u>
	<u>\$</u>	<u>\$</u>
Within one financial year	233,110	188,412
Within two to five financial years	219,422	-
	<u>452,532</u>	<u>188,412</u>

19 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The main risks arising from the Company's financial instruments are credit risk, foreign currency risk, liquidity risk and interest rate risk. The Company has no market price risk. The board policies for managing these risks are summarised below.

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

NOTES TO THE FINANCIAL STATEMENTS
 For the financial year ended 31 March 2015

19 FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk management objectives and policies (Continued)

Credit risk

Credit risk is limited to risk arising from the inability of customers to make payments when due. It is the Company's policy to provide credit terms to creditworthy customers. These debts are continually monitored and therefore, the Company does not expect to incur material credit losses.

For other financial asset that is cash and bank balances, the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk

The carrying amount of cash and bank balances, trade and other receivables and intercompany balances represents the Company's maximum exposure to credit risk. No other financial asset carries a significant exposure to credit risk.

Credit risk concentration profile

The significant trade receivables of the Company comprise 1 debtor (2014: 2 debtors) which are non-related parties and situated in Singapore that collectively represented an average of 23% (2014: 59%) of trade receivables.

The Company determines concentration of credit risk by monitoring the geographical areas and types of customers of its trade receivables on an on-going basis. The credit risk concentration profile of the Company's trade receivables at the end of the reporting period based on the information provided to the key management is as follows:

	<u>2015</u>		<u>2014</u>	
	\$	%	\$	%
By geographical areas				
Singapore	213,925	48	343,165	78
India	227,977	51	94,208	21
Thailand	1,196	1	1,267	1
	<u>443,098</u>	<u>100</u>	<u>438,640</u>	<u>100</u>
By types of customers				
Non-related parties	213,925	48	343,165	78
Related parties	229,173	52	95,475	22
	<u>443,098</u>	<u>100</u>	<u>438,640</u>	<u>100</u>

At the end of the reporting period, 100% (2014: 100%) of the Company's sales is from customers located in Asia.

NOTES TO THE FINANCIAL STATEMENTS
 For the financial year ended 31 March 2015

19 FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record and long term business relationship with the Company. Cash and bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 to the financial statements.

Foreign currency risk

The Company's foreign currency exposures arise from the exchange rate movements of United States Dollar (USD) to Singapore Dollar (SGD), which is the Company's functional currency. As at the end of the reporting period, foreign currency balance for cash and bank balances is disclosed in Notes 11 to the financial statements.

There are no policies in place to mitigate the effect of this foreign currency risk exposure.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD (against SGD), with all other variables held constant, of the Company's profit net of tax and equity.

		2015		2014	
		Profit net of tax	Equity	Profit net of tax	Equity
		\$	\$	\$	\$
USD	- strengthened 3%				
	(2014: 3%)	25	25	24	24
	- weakened 3%				
	(2014: 3%)	(25)	(25)	(24)	(24)

Liquidity risk

Liquidity risk refers to the risk in which the Company is unable to meet its short term obligations and this arises from the possibility that customers may not be able to settle obligations within the normal terms of trade.

NOTES TO THE FINANCIAL STATEMENTS
 For the financial year ended 31 March 2015

19 FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table below summarises the maturity profile of the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

	<u>2015</u>			<u>2014</u>		
	<u>1 year or less</u>	<u>2 to 5 years</u>	<u>Total</u>	<u>1 year or less</u>	<u>2 to 5 years</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
Trade and other payables	337,523	-	337,523	378,059	-	378,059
Finance lease liabilities	7,295	7,230	14,525	7,295	14,525	21,820
	<u>344,818</u>	<u>7,230</u>	<u>352,048</u>	<u>385,354</u>	<u>14,525</u>	<u>399,879</u>

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from finance lease.

Information relating to the Company's interest rate exposure is also disclosed in Notes 16 to the financial statements.

Finance lease is exposed to market interest rate risk which the Company has no policies in place to mitigate the effect.

Sensitivity analysis for interest rate risk

As at the end of the reporting period, if the interest rate had been 100 basis points lower/higher with all other variables held constant, the Company's profits net of tax would have been \$60 (2014: \$121) higher/lower arising mainly as a result of a lower/higher interest expense on finance lease agreements.

(b) Fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities reported in the statement of financial position approximates the carrying amounts of those assets and liabilities, as these are short term in nature, except for finance lease liabilities.

Finance lease liabilities

The carrying amount of finance lease liabilities approximates its fair value at the end of the reporting period as this lease obligation is obtained at current market interest rates.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2015

20 FINANCIAL INSTRUMENTS (Continued)

(b) Fair values of financial assets and financial liabilities (Continued)

During the financial year, no amount (2014: NIL) has been recognised in profit or loss in relation to the change in fair value of financial assets or financial liabilities, estimated using a valuation technique.

The Company has no (2014: NIL) fair value measurement hierarchy recognised in the statement of financial position as at the end of the reporting period.

21 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. The Company monitors its net cash resources to enable it to pay its creditors as and when they fall due. The capital structure of the Company comprises of only issued capital and retained earnings.

Net cash resources of the Company are as follows:

	<u>2015</u>	<u>2014</u>
	\$	\$
Cash and bank balances (Note 11)	709,983	316,315
Trade and other receivables (excluding prepayments) (Note 12)	502,279	564,024
Inventories (Note 13)	227,813	192,667
Less: Trade and other payables (Note 15)	(337,523)	(378,059)
Finance lease liabilities (current portion) (Note 16)	(7,295)	(7,295)
Net cash resources	<u>1,095,257</u>	<u>687,652</u>

The Company's overall strategy remains unchanged from the previous financial year.

The Company is not subject to any externally imposed capital requirements.