

PIDILITE LANKA (PRIVATE) LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017**



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PIDILITE LANKA (PRIVATE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Pidilite Lanka (Private) Limited, ("the Company"), which comprise the statement of financial position as at March 31, 2017, and the statements of profit or loss, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standard for Small and Medium-Sized Entities ("SLFRS for SMEs") and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. 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 entity's preparation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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



Basis for qualified opinion

The policy of the company is not to amortize trademarks but to test for impairment annually which in our opinion is not in accordance with SLFRS for SMEs. Had the company amortized its trademark the profit for the year and accumulated fund would have been reduced by Rs. 27,600,000/-.

Qualified Opinion

In our opinion, except for the effects of such adjustments arising from the matters referred to in the preceding paragraph the financial statements give a true and fair view of the financial position of the Company as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

CHARTERED ACCOUNTANTS

Colombo

27 April 2017

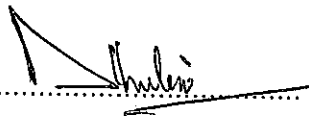
PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 March,

	Note	2017 Rs.	2016 Rs.
Assets			
Non-current assets			
Property, plant and equipment	2	7,240,105	2,914,396
Intangible assets	3	326,600,000	333,500,000
Deferred tax assets	19	-	492,122
Prepaid lease rent	4	11,403,940	-
Total non-current assets		345,244,045	336,906,518
Current assets			
Inventories	5	108,457,139	87,969,192
Trade receivables	6	170,884,294	148,225,510
Other receivables	7	48,712,013	45,856,161
Prepaid lease premium	4	236,760	-
Amount due from related parties	8	7,566,028	575,616
Cash and cash equivalents	9	350,000	8,622,578
Total current assets		336,206,234	291,249,057
Total assets		681,450,279	628,155,575
Equity and liabilities			
Equity			
Stated capital	10	303,022,000	303,022,000
Retained earnings		5,385,022	(814,649)
Total equity		308,407,022	302,207,351
Non-current liabilities			
Interest bearing loans and borrowings	11	113,437,500	154,000,000
Retirement benefit obligations	12	2,787,422	1,831,860
Total non current liabilities		116,224,922	155,831,860
Current liabilities			
Trade and other payables	13	37,806,524	62,779,073
Statutory payables	14	1,297,084	899,803
Interest bearing loans and borrowings	11	40,622,500	11,000,000
Amount due to related parties	15	102,245,109	68,405,407
Accrued expenses		3,320,347	2,442,650
Deferred tax liability	19	4,095,852	-
Bank overdraft	9	67,430,919	24,589,431
Total current liabilities		256,818,335	170,116,364
Total liabilities		373,043,257	325,948,224
Total equity and liabilities		681,450,279	628,155,575

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

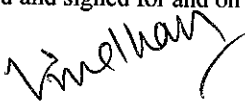
I certify that these financial statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



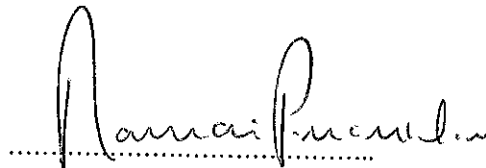
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements in accordance with SLFRS for SMEs.

Approved and signed for and on behalf of the Board:



Director



Director

Colombo
27 April 2017

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS

For the year ended 31 March,

	Note	2017 <u>Rs.</u>	2016 <u>Rs.</u> (8 months)
Revenue	16	626,391,360	244,781,826
Cost of sales		(456,943,635)	(186,367,959)
Gross profit		<u>169,447,725</u>	<u>58,413,867</u>
Distribution expenses		(45,157,654)	(12,339,020)
Administrative expenses		(88,509,585)	(41,718,394)
Results from operating activities	17	<u>35,780,486</u>	<u>4,356,453</u>
Finance costs	18	(24,992,841)	(5,663,224)
Profit / (loss) before tax expense		<u>10,787,645</u>	<u>(1,306,771)</u>
Tax expense	19	(4,587,974)	492,122
Profit / (loss) for the year		<u><u>6,199,671</u></u>	<u><u>(814,649)</u></u>

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY

As at 31 March,

	Stated capital <u>Rs.</u>	Retained earnings <u>Rs.</u>	Total <u>Rs.</u>
Balance as at 7 August 2015	303,022,000	-	303,022,000
Loss for the period	-	(814,649)	(814,649)
Balance as at 31 March 2016	303,022,000	(814,649)	302,207,351
Profit for the year	-	6,199,671	6,199,671
Balance as at 31 March 2017	303,022,000	5,385,022	308,407,022

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF CASH FLOW

For the year ended 31 March,

	2017	2016
Note	<u>Rs.</u>	<u>Rs.</u> (8 months)
Cash flows from operating activities		
Profit / (loss) before tax expense	10,787,645	(1,306,771)
<i>Adjustments for:</i>		
Depreciation for property, plant and equipment	1,396,209	278,192
Amortisation for intangible assets	6,900,000	11,500,000
Amortisation for lease premium	197,300	-
Provision for retirement benefit obligations	754,417	127,275
Provision for damaged stocks	4,219,914	341,922
Provision for doubtful debts	2,783,079	-
Interest expense	24,992,841	-
Operating profit before working capital changes	52,031,405	10,940,618
Changes in :		
Inventories	(24,707,862)	(88,311,114)
Trade receivables	(25,441,863)	(148,225,510)
Other receivables	(2,855,852)	(45,856,161)
Prepaid lease rental premium	(11,640,700)	-
Amount due from related parties	(6,990,412)	-
Trade and other payables	(24,968,704)	66,121,526
Amounts due to related parties	33,839,702	69,626,691
Statutory payables	397,281	-
Accrued expenses	877,697	-
Net cash flow used in after working capital changes	(9,459,308)	(135,703,950)
Interest paid	(24,992,841)	-
Gratuity paid	-	(92,315)
Net cash flows used in operating activities	(34,452,149)	(135,796,265)
Cash flows from investing activities		
Purchases of property, plant and equipment	(5,721,917)	(3,192,588)
Purchase of intangible assets	-	(345,000,000)
Net cash used in investing activities	(5,721,917)	(348,192,588)
Cash flows from financing activities		
Proceeds from issue of share capital	-	303,022,000
Proceeds from loans and borrowings	-	165,000,000
Loan repayment	(10,940,000)	-
Net cash (used) / generated from financing activities	(10,940,000)	468,022,000
Net decrease in cash and cash equivalents	(51,114,066)	(15,966,853)
Cash and cash equivalents at the beginnig of the year	(15,966,853)	-
Cash and cash equivalents at the end of the year	9 (67,080,919)	(15,966,853)

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. Accounting policies

1.1 Reporting entity

Pidilite Lanka (Private) Limited, ("the Company") is a private limited liability company incorporated in Sri Lanka. The registered office of the Company and the principal place of business is situated at 74, 1/1, Orient Building, Dawson Street, Colombo 02.

The company has incorporated on 07th August 2015 and its commercial operations have been carried out for over a six months period, commencing from 30th September 2015.

Principle activities and nature of operations

Principle activity of the company is the sale of manufactured and imported adhesive products to the local market.

1.2 Basis of preparation

(a) Statement of compliance

The financial statements of the Company comprise the statement of financial position, statement of profit or loss, statement of cash flows, and notes comprising other explanatory information. These statements are prepared in accordance with Sri Lanka Accounting Standards for Small and Medium Sized Entities (SLFRS for SMEs) laid down by Institute of Chartered Accountants of Sri Lanka.

(b) Basis of measurement

The financial statements have been prepared on the historical cost conversion.

(c) Functional and presentation currency

These financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with SLFRS for SMEs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only the financial year or in the period of the revision and future periods if the revision affects both current and future financial years.

1.3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Property and equipment

Recognition and measurement

Items of property, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the assets to its working condition.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

1.3 Significant accounting policies (Contd.)

(a) Property and equipment (Contd.)

Recognition and measurement (Contd.)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains/losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property and equipment for the current period are as follows:

	Years
Furniture and fixtures	4
Computers	4
Office Equipments	4

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(b) Intangible assets

Basis of recognition

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the assets can be measured reliably in accordance with SLFRS for SMEs on Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodying in these assets. All other expenditure is expensed as incurred.

Amortization

The useful lives of intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with finite useful life are reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by adjusting or changing the amortization period or method, as appropriate and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement.

Intangible assets are stated at cost less accumulated amortization. Amortization is done as follows

	Years
Commercial & Technical Know-how	10

The policy of the company is not to amortize trademarks but to test for impairment annually.

For the year ended 31 March 2017

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business. The cost of inventories is based on the weighted average cost principle.

The calculation of provision for inventory is done as follows.

	Percentage
Goods lying for more than 180 days	25%
Goods lying for more than 360 days	50%
Goods lying for more than 540 days	75%
Goods lying for more than 730 days	100%

(d) Impairment of assets

The carrying amounts of the Company's non financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the estimated recoverable amount of an asset falls below its carrying amount. Impairment losses are recognised in the profit or loss.

(e) Basic financial instruments

The Company recognizes all financial instruments under basic financial instruments in accordance with SLFRSs for SMEs. Basic financial instrument are measured at fair value at both initially and subsequently. The gain or losses from fair value is recognized in profit or loss during the period.

The Company's basic financial instruments include following;

(f) Trade and other receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for bad and doubtful receivables based on a review of all outstanding amounts at the reporting date as follows;

Debtors overdue between 90 to 120 days	25%
Debtors overdue between 120 days to 180 days	50%
Debtors overdue between 180 days to 365 days	75%
Debtors overdue > 365 days	100%

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with bank, and investments in money market instruments with a maturity period of less than 3 months.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and cash with bank

Cash flow statement

Cash flow statement has been prepared using the indirect method.

(h) Liabilities and provisions

Liabilities are recognized in the statement of financial position when there is a present obligation as a result of past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditors or within one year of the reporting date are treated as current liabilities in the statement of financial position.

Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Taxation

i. Income taxation

The provision for income tax will be based on the elements of income and expenses reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act No.10 of 2006 and its amendments thereto.

ii. Deferred taxation

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rate enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(j) Employee benefits

(i) Defined benefit plan

Gratuity is a defined benefit plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the statement of financial position, equivalent to an amount calculated based on the project unit credit basis using simplifications specified by the Section 28.

Provision is made for retirement gratuity for all employees in respect of gratuity payable under the Payment of Gratuity Act No.12 of 1983. The provision is not externally funded, nor has it been valued by an actuary. This item is grouped under noncurrent liabilities in the statement of financial position.

(ii) Defined contribution plans

Obligations to defined contribution plans are recognised as an expense in the statement of comprehensive income as incurred. The Company contributes 12% and 3% of gross emoluments of employees as Provident Fund and Trust Fund contribution respectively.

(k) Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

(l) Expenses

All expenditure incurred in the operations of the business and in maintaining the capital assets in a state of efficiency have been charged to revenue in arriving at the Company's profit or loss for the year.

(m) Events occurring after the reporting date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in respective notes to the financial statements.

(n) Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March,

2 Property, plant and equipment

	WIP construction	Office equipments		Computers		Furniture & fittings		Total	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	2017	2016
Cost									
Balance at the beginning of the year	-	285,726	1,286,625	1,620,237	-	3,192,588	-	-	-
Additions during the year	1,477,229	1,241,816	1,243,176	1,759,696	5,721,917	3,192,588	3,192,588	3,192,588	3,192,588
Balance at the end of the year	1,477,229	1,527,542	2,529,801	3,379,933	8,914,505	3,192,588	3,192,588	3,192,588	3,192,588
Accumulated depreciation									
Balance at the beginning of the year	-	21,166	95,581	161,445	278,191	-	-	-	-
Charge for the year	-	290,814	514,175	591,219	1,396,209	278,192	278,192	278,192	278,192
Balance at the end of the year	-	311,980	609,756	752,664	1,674,400	278,192	278,192	278,192	278,192
Carrying amount									
As at 31 March 2017	1,477,229	1,215,562	1,920,045	2,627,269	7,240,105	-	-	-	-
As at 31 March 2016	-	264,560	1,191,044	1,458,792	-	2,914,396	2,914,396	2,914,396	2,914,396

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

3 Intangible assets

	Commercial and Technical Know-How	Trademark	Total 2017	Total 2016
	Rs.	Rs.	Rs.	Rs.
Cost				
Balance at the beginning of the year	69,000,000	276,000,000	345,000,000	-
Additions during the year	-	-	-	345,000,000
Balance at the end of the year	<u>69,000,000</u>	<u>276,000,000</u>	<u>345,000,000</u>	<u>345,000,000</u>
Accumulated amortization				
Balance at the beginning of the year	2,300,000	9,200,000	11,500,000	-
Charge for the year (Note 3.1)	6,900,000	-	6,900,000	11,500,000
Balance at the end of the year	<u>9,200,000</u>	<u>9,200,000</u>	<u>18,400,000</u>	<u>11,500,000</u>
Carrying amount				
As at 31 March 2017	<u>59,800,000</u>	<u>266,800,000</u>	<u>326,600,000</u>	-
As at 31 March 2016	<u>66,700,000</u>	<u>266,800,000</u>	-	<u>333,500,000</u>

3.1 The company amortizes the commercial and technical knowhow over a period of 10 years.

4 Prepaid lease rent

	2017	2016
	Rs.	Rs.
Prepaid lease rent (Note 4.1)	11,838,000	-

The company has secured the lease on land by payment of the above advance. This amount includes lawyer's fee of Rs. 450,000.

4.1 Prepaid lease rent

Prepaid lease rent	11,838,000	-
Amortization for the year	(197,300)	-
	<u>11,640,700</u>	-
Prepaid lease rent within one year	236,760	-
Prepaid lease rent more than one year	11,403,940	-

The prepaid rent of Rs. 11,838,000 is being amortized over a period of 50 years from 1st June 2016 and recognized as operating lease expenses.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2017	2016
	<u>Rs.</u>	<u>Rs.</u>
5 Inventories		
Raw materials	13,314,845	7,074,213
Work in progress	8,783,620	5,272,623
Finished goods	81,011,627	64,428,421
Packing materials	9,908,884	11,535,857
	<u>113,018,976</u>	<u>88,311,114</u>
(-) Provision for impairment on slow moving inventories	(4,561,837)	(341,922)
	<u>108,457,139</u>	<u>87,969,192</u>
6 Trade Receivables		
Trade Receivables (Note 6.1)	173,667,373	148,225,510
Provision for bad and doubtful debts (Note 6.2)	(2,783,079)	-
	<u>170,884,294</u>	<u>148,225,510</u>
6.1 Debtors more than 6 months old	3,562,208	-
Debtors less than 6 months old	167,322,086	-
	<u>170,884,294</u>	<u>148,225,510</u>
6.2 Impairment losses recognized in the year		
On receivables originated in the year	2,387,756	-
On receivables more than a year	395,323	-
	<u>2,783,079</u>	<u>-</u>
Collaterals given:		
The company has given as collateral it's trade debtors for a working capital facility from Standard Chartered		
The carrying amount of debtors pledged as security for liabilities is Rs. 152,000,000 as at 31/03/2017 (March 31, 2016: Rs. 148,225,510).		
7 Other receivables		
Advances	7,932,331	3,352,553
Pre-payments	5,134,124	376,594
VAT receivables	34,739,732	42,030,107
Miscellaneous	905,826	96,907
	<u>48,712,013</u>	<u>45,856,161</u>
8 Amount due from related parties		
Macbertan (Private) Limited	776,717	575,616
Nina Lanka Construction Technologies (Private) Ltd	6,789,311	-
	<u>7,566,028</u>	<u>575,616</u>
9 Cash and cash equivalents		
Cash at bank	250,000	8,485,290
Cash in hand	100,000	137,288
	<u>350,000</u>	<u>8,622,578</u>
Bank overdraft (9.1)	(67,430,919)	(24,589,431)
	<u>(67,080,919)</u>	<u>(15,966,853)</u>
9.1 Bank Over draft facility of Rs.97,000,000 was obtained from Standard Chartered Bank which carry interest rate of 1 month SLIBOR +0.7% secured with a corporate guarantee from Pidilite Industries Limited for USD 2,410,000/- and mortgage bond over stocks and debtors for Rs.152,000,0000/-.		

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2017 <u>Rs.</u>	2016 <u>Rs.</u>
10 Stated capital		
2,386,000 Ordinary Shares	303,022,000	303,022,000
	<u>303,022,000</u>	<u>303,022,000</u>
11 Interest bearing loans and borrowings		
Loans obtained during the year	165,000,000	165,000,000
Repayments during the year	(10,940,000)	-
Balance at the end of the year	<u>154,060,000</u>	<u>165,000,000</u>
Due after one year	113,437,500	154,000,000
Due within one year	40,622,500	11,000,000

Nature of borrowing	Maturity date	Terms of repayment	Coupon/interest rate	2017 <u>Rs.</u>	2016 <u>Rs.</u>
Term Loan from banks	30th Nov 2019	Quarterly 16 instalments	SLIBOR+0.8%	154,060,000	165,000,000
				<u>154,060,000</u>	<u>165,000,000</u>

11.1 The company has obtained a term loan amounting to Rs.165,000,000/- from Standard Chartered Bank during the period of 2015/16 which carry interest rate of 1 month SLIBOR + 0.8%. Loan is repayable in equal quarterly installments after a grace period of one year.

A Corporate Guarantee for the value of USD 2,410,000 was issued by Pidilite Industries Ltd, India as the security against this loan.

12 Retirement benefit obligations

Balance at the beginning of the year	1,831,860	-
Charge for the year	754,417	127,275
Gratuity transfers from inter company	201,145	1,796,900
Payments made during the year	-	(92,315)
Balance at the end of the year	<u>2,787,422</u>	<u>1,831,860</u>

12.1 Provision has been made for retiring gratuity for all employees. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is calculated based on the gratuity formula method.

13 Trade and other payables

Trade payables	30,383,432	54,590,564
Other payables	7,423,092	8,188,509
	<u>37,806,524</u>	<u>62,779,073</u>

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2017	2016
	<u>Rs.</u>	<u>Rs.</u>
14 Statutory payables		
EPF/ETF payable	479,838	231,194
PAYE payable	197,132	97,963
Stamp duty payable	36,125	23,125
NBT payable	583,989	547,521
	<u>1,297,084</u>	<u>899,803</u>

15 Amount due to related parties		
Pidilite Industries Ltd	97,916,736	67,492,317
Pidilite Speciality Chemicals Bangladesh (Pvt) Ltd	632,033	913,090
Nina Water Proofing Systems (Pvt) Ltd - India	3,696,340	-
	<u>102,245,109</u>	<u>68,405,407</u>

	2017	2016	2017	2016
	<u>USD</u>	<u>USD</u>	<u>Rs.</u>	<u>Rs.</u>
Other Receivables	(14,460)	(19,215)	(2,105,577)	(2,726,225)
Import Creditors	678,193	453,632	102,971,321	66,508,553
Other Payable	7,167	31,192	3,185,667	4,623,079
	<u>670,900</u>	<u>465,609</u>	<u>104,051,411</u>	<u>68,405,407</u>

For the year ended 31 March,

	2017	2016
	<u>Rs.</u>	<u>Rs.</u>
16 Revenue		(8 months)
Sales	645,568,431	250,382,648
Sales returns	(19,177,071)	(5,600,822)
	<u>626,391,360</u>	<u>244,781,826</u>
17 Profit from operating activities		
The above is stated after charging all expenditure including the following:		
License fees	2,432,166	4,234,581
Depreciation	1,396,209	278,192
Amortization	9,600,000	11,500,000
Auditor's remuneration	200,000	120,000
Staff cost (Note 17.1)	47,926,805	14,475,344
17.1 Staff cost		
Staff salary	21,388,346	7,931,088
Bonus	6,084,081	1,700,418
Terminal benefits	4,495,478	1,165,459
Allowances and other benefits	15,958,900	3,678,379
	<u>47,926,805</u>	<u>14,475,344</u>
18 Finance expense		
Bank OD interest	4,959,207	105,946
Interest on borrowings	16,894,109	4,333,368
Interest for corporate guarantee	1,446,554	472,860
Exchange loss	1,692,971	751,050
	<u>24,992,841</u>	<u>5,663,224</u>

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

	2017 <u>Rs.</u>	2016 <u>Rs.</u> (8 months)
19 Tax expense		
Income tax expense		
Current period (Note 19.1)	-	-
Origination of temporary differences (Note 19.3)	(4,587,974)	492,122
	<u>(4,587,974)</u>	<u>492,122</u>

In terms of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, the Company is liable for taxation at the rate of 28% on its taxable profits.

19.1 Tax reconciliation statement

Profit before taxation	10,787,645	(1,306,771)
Add.: Disallowable expenses	15,437,297	13,251,559
	26,224,942	11,944,788
Less :Allowable expenses	(36,317,609)	(35,333,251)
Statutory loss from business (Note 19.2)	<u>(10,092,667)</u>	<u>(23,388,463)</u>
Income tax @ 28%	-	-

Accumulated tax loss as at 31 March 2017 is Rs. 33,481,130 (2016: Rs. 23,388,463)

19.2 Statutory loss from business

Profit / (loss) before tax	10,787,645	(1,306,771)
Add Disallowables		
Depreciation	1,396,209	278,192
Amortization of commercial and Technical Know-how	6,900,000	11,500,000
Provision for damaged goods	2,656,993	341,922
Display board expenses	-	5,806
Special event promotion	-	10,000
Professional fees - legal	-	359,780
Gifts	17,440	-
Advertisement expenses	7,270	7,500
Stamp duty	596,170	175,685
Staff recruitment expenses	-	445,400
Amortization of pre paid lease rent	197,300	-
Entertainment	128,419	-
Provision for bad debts	2,783,079	-
Provision for gratuity	754,417	127,274
	<u>26,224,942</u>	<u>11,944,788</u>
Less Allowables		
Capital allowance	(1,817,609)	(740,936)
Accounting profit on sale of fixed assets	-	-
Amortization of Intangible asset	(34,500,000)	(34,500,000)
Gratuity payment made during the year	-	(92,315)
Loss from Business	<u>(10,092,667)</u>	<u>(23,388,463)</u>

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

22 Litigations and claims

There are no litigations or claims against the Company as at the reporting date.

23 Capital commitments

The Company does not have any other significant capital commitments other than mentioned in (Note 23.1) outstanding as at the reporting date which require adjustments to or disclosure in the financial statements.

	2017	2016
	<u>Rs.</u>	<u>Rs.</u>
23.1 Operating Lease		
Charge during the year	3,096,508	392,000
Due not later than 1 year	3,581,409	280,000
Due later than 1 year and not later than 5 years	10,815,636	-
Due later than 5 years	106,503,897	-
	<u>123,997,450</u>	<u>280,000</u>

24 Contingent liabilities

The company's contingent liabilities as at the reporting date were as follows:

	2017	2016
	<u>Rs.</u>	<u>Rs.</u>
Shipping guarantee	6,878,428	57,069,385
Acceptances	5,325,923	7,057,300
Ordinary letter of credit	4,907,280	811,635
	<u>17,111,631</u>	<u>64,938,320</u>

25 Events occurring after the reporting date

There were no material events occurring after the reporting date which require adjustments to or disclosures in the financial statements.

26 Directors' responsibility

The directors are responsible for the preparation and presentation of these financial statements in accordance with SLFRS for SMEs.