

PIDILITE LANKA (PRIVATE) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2018



KPMG
(Chartered Accountants)
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pidilite Lanka (Private) Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Pidilite Lanka (Private) Limited ("the Company"), which comprise the statement of financial position as at March 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of, the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities.

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 would have reduced by Rs.27,600,000/- and retained loss would have increased by Rs.55,200,000/-.

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. These Financial statements do not comprise other information.

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with SLFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of



accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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 SLAuS 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaase.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

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


CHARTERED ACCOUNTANTS
Colombo
3 May, 2018

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 March,

	Note	2018 Rs.	2017 Rs.
Assets			
Non-current assets			
Property, plant and equipment	2	330,878,071	7,240,105
Intangible assets	3	319,700,000	326,600,000
Prepaid lease rent	4	11,167,180	11,403,940
Total non-current assets		661,245,251	345,244,045
Current assets			
Inventories	5	165,149,894	108,457,139
Trade receivables	6	249,134,697	170,884,294
Other receivables	7	139,014,458	48,712,013
Prepaid lease rent	4	236,760	236,760
Amount due from related parties	8	2,815,155	7,566,028
Cash and cash equivalents	9	4,241,303	350,000
Total current assets		560,592,267	336,206,234
Total assets		1,221,837,518	681,450,279
Equity and liabilities			
Equity			
Stated capital	10	592,918,042	303,022,000
Retained (loss)/earnings		(3,353,140)	5,385,022
Total equity		589,564,902	308,407,022
Non-current liabilities			
Interest bearing loans and borrowings	11	168,953,552	113,437,500
Retirement benefit obligations	12	4,817,959	2,787,422
Total non-current liabilities		173,771,511	116,224,922
Current liabilities			
Trade and other payables	13	118,168,435	37,806,524
Statutory payables	14	8,583,455	1,297,084
Interest bearing loans and borrowings	11	41,250,000	40,622,500
Amount due to related parties	15	166,940,577	102,245,109
Accrued expenses		6,272,367	3,320,347
Deferred tax liability	19	5,092,028	4,095,852
Bank overdraft	9	112,194,243	67,430,919
Total current liabilities		458,501,105	256,818,335
Total liabilities		632,272,616	373,043,257
Total equity and liabilities		1,221,837,518	681,450,279

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

3 May, 2018
Colombo

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March,

	Note	2018 Rs.	2017 Rs.
Revenue	16	760,481,515	626,391,360
Cost of sales		(564,898,871)	(456,943,635)
Gross profit		195,582,644	169,447,725
Other income		2,787,627	-
Distribution expenses		(60,522,326)	(45,157,654)
Administrative expenses		(122,665,166)	(88,509,585)
Results from operating activities	17	15,182,779	35,780,486
Finance costs	18	(22,924,765)	(24,992,841)
(Loss)/profit before tax expense		(7,741,986)	10,787,645
Tax expense	19	(996,176)	(4,587,974)
(Loss)/profit for the year		(8,738,162)	6,199,671

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 Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1st April 2016	303,022,000	(814,649)	302,207,351
Profit for the year	-	6,199,671	6,199,671
Balance as at 31st March 2017	303,022,000	5,385,022	308,407,022
Shares issued during the year	289,896,042	-	289,896,042
Loss for the year	-	(8,738,162)	(8,738,162)
Balance as at 31st March 2018	592,918,042	(3,353,140)	589,564,902

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

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31 March,

	Note	2018 Rs.	2017 Rs.
Cash flows from operating activities			
(Loss)/profit before tax expense		(7,741,986)	10,787,645
<i>Adjustments for:</i>			
Depreciation for property, plant and equipment		2,018,147	1,396,209
Amortisation for intangible assets		6,900,000	6,900,000
Amortisation for lease premium		236,760	197,300
Provision for retirement benefit obligations		2,030,537	754,417
Provision for damaged stocks		10,892,498	4,219,914
Provision for doubtful debts		3,303,139	2,783,079
Interest expense		22,924,765	24,992,841
Operating profit before working capital changes		40,563,860	52,031,405
Changes in :			
Inventories		(67,585,253)	(24,707,862)
Trade receivables		(81,553,542)	(25,441,863)
Other receivables		(90,302,445)	(2,855,852)
Prepaid lease rental premium		-	(11,640,700)
Amount due from related parties		4,750,873	(6,990,412)
Trade and other payables		80,361,911	(24,968,704)
Amounts due to related parties		64,695,468	33,839,702
Statutory payables		7,286,371	397,281
Accrued expenses		2,952,020	877,697
Net cash flow used in after working capital changes		(38,830,737)	(9,459,308)
Interest paid		(22,924,765)	(24,992,841)
Net cash flows used in operating activities		(61,755,502)	(34,452,149)
Cash flows from investing activities			
Purchases of property, plant and equipment		(325,156,113)	(5,721,917)
Net cash used in investing activities		(325,156,113)	(5,721,917)
Cash flows from financing activities			
Proceeds from issue of share capital		289,896,042	-
Proceeds from loans and borrowings		96,766,052	-
Loan repayment		(40,622,500)	(10,940,000)
Net cash generated from/(used in) from financing activities		346,039,594	(10,940,000)
Net decrease in cash and cash equivalents		(40,872,021)	(51,114,066)
Cash and cash equivalents at the beginning of the year		(67,080,919)	(15,966,853)
Cash and cash equivalents at the end of the year	9	(107,952,940)	(67,080,919)

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 2018

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.

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, plant 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.

For the year ended 31 March 2018

1.3 Significant accounting policies (Continued)

(a) Property, plant and equipment (Continued)

Recognition and measurement (Continued)

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.

For the year ended 31 March 2018

1.2 Significant accounting policies (Continued)

(b) Intangible assets (Continued)

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.

(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 between 90 to 120 days after credit period	25%
Debtors between 120 days to 180 days after credit period	50%
Debtors between 180 days to 365 days after credit period	75%
Debtors over 365 days after credit period	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 year ended 31 March 2018

1.3 Significant accounting policies (Continued)

(g) Cash and cash equivalents (Continued)

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.

For the year ended 31 March 2018

1.3 Significant accounting policies (Continued)

(j) Employee benefits

(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.

(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 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

Cost	WIP	Office	Computers	Furniture	Total
	Construction Rs.	Equipments Rs.	Rs.	and Fittings Rs.	Rs.
Balance as at 1 April 2017	1,477,229	1,527,542	2,529,801	3,379,933	8,914,505
Additions during the year	323,166,708	146,541	1,263,909	578,955	325,156,113
Balance as at 31 March 2018	324,643,937	1,674,083	3,793,710	3,958,888	334,070,618
Accumulated depreciation					
Balance as at 1 April 2017	-	311,980	609,756	752,664	1,674,400
Charge for the year	-	405,374	739,420	873,353	2,018,147
Balance as at 31 March 2018	-	717,354	1,349,176	1,626,017	3,692,547
Carrying amount					
As at 31 March 2018	324,643,937	956,729	2,444,534	2,332,871	330,378,071
As at 31 March 2017	1,477,229	1,215,562	1,920,045	2,627,269	7,240,105

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

3 Intangible assets

	Commercial and Technical Know-How	Trademark	Total 2018
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Cost			
Balance as at 1 April 2017	69,000,000	276,000,000	345,000,000
Additions during the year	-	-	-
Balance as at 31 March 2018	69,000,000	276,000,000	345,000,000
Accumulated amortization			
Balance as at 1 April 2017	9,200,000	9,200,000	18,400,000
Charge for the year (Note 3.1)	6,900,000	-	6,900,000
Balance as at 31 March 2018	16,100,000	9,200,000	25,300,000
Carrying amount			
As at 31 March 2018	52,900,000	266,800,000	319,700,000
As at 31 March 2017	59,800,000	266,800,000	326,600,000

3.1 The Company amortizes the Technical Know-How over the period of 10 years.

4 Prepaid lease rent

	2018	2017
	<u>Rs.</u>	<u>Rs.</u>
Prepaid lease rent (Note 4.1)	11,403,940	11,640,700

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

	2018	2017
	<u>Rs.</u>	<u>Rs.</u>
Prepaid lease rent	11,640,700	11,838,000
Amortization for the year	(236,760)	(197,300)
	11,403,940	11,640,700
Prepaid lease rent within one year	236,760	236,760
Prepaid lease rent more than one year	11,167,180	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,

	2018	2017
	<u>Rs.</u>	<u>Rs.</u>
5 Inventories		
Raw materials	25,527,252	13,314,845
Work in progress	15,071,851	8,783,620
Finished goods	114,190,548	81,011,627
Goods in transit	10,426,103	-
Packing materials	15,388,475	9,908,884
	<u>180,604,229</u>	<u>113,018,976</u>
(-) Provision for impairment on slow moving inventories	<u>(15,454,335)</u>	<u>(4,561,837)</u>
	<u>165,149,894</u>	<u>108,457,139</u>
6 Trade receivables		
Trade receivables (Note 6.1)	255,220,915	173,667,373
Provision for bad and doubtful debts (Note 6.2)	<u>(6,086,218)</u>	<u>(2,783,079)</u>
	<u>249,134,697</u>	<u>170,884,294</u>
6.1 Debtors more than 6 months old	3,827,851	3,562,208
Debtors less than 6 months old	<u>245,306,847</u>	<u>167,322,086</u>
	<u>249,134,697</u>	<u>170,884,294</u>
6.2 Impairment losses recognized in the year		
On receivables originated in the year	4,651,548	2,387,756
On receivables more than a year	<u>1,434,670</u>	<u>395,323</u>
	<u>6,086,218</u>	<u>2,783,079</u>
Collaterals given:		
The Company has given collateral of trade debtors for working capital facility from Standard Chartered Bank		
The carrying amount of debtors pledged as security for liabilities is Rs. 212,000,000 as at March 31, 2018		
(March 31, 2017: Rs. 152,000,000).		
7 Other receivables		
Advances	60,697,984	7,932,331
Pre-payments	2,704,784	5,134,124
VAT receivables	67,655,498	34,739,732
Miscellaneous	821,482	905,826
NBT Receivable	7,134,710	-
	<u>139,014,458</u>	<u>48,712,013</u>
8 Amount due from related parties		
Macbertan (Private) Limited	2,815,155	776,717
Nina Lanka Construction Technologies (Private) Ltd	-	6,789,311
	<u>2,815,155</u>	<u>7,566,028</u>
9 Cash and cash equivalents		
Cash at bank	3,529,904	250,000
Cash in hand	711,399	100,000
	<u>4,241,303</u>	<u>350,000</u>
Bank overdraft (9.1)	<u>(112,194,243)</u>	<u>(67,430,919)</u>
	<u>(107,952,940)</u>	<u>(67,080,919)</u>

9.1 Bank overdraft facility of Rs.147,000,000/- was obtained from Standard Chartered Bank PLC which carry interest rate of AWPLR +0.35% p.a. secured with a corporate guarantee from Pidilite Industries Limited for USD 2,410,000/- and mortgage bond over stocks and debtors for Rs.152,000,000/- and Rs.60,000,000/-.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2018	2017
	Rs.	Rs.
10 Stated capital		
4,668,646 Ordinary Shares	592,918,042	303,022,000
	<u>592,918,042</u>	<u>303,022,000</u>
11 Interest bearing loans and borrowings		
Balance at the beginning of the year	154,060,000	165,000,000
Loans obtained during the year	96,766,052	-
Repayments during the year	(40,622,500)	(10,940,000)
Balance at the end of the year	<u>210,203,552</u>	<u>154,060,000</u>
Due after one year	168,953,552	113,437,500
Due within one year	41,250,000	40,622,500

Nature of Borrowing	Maturity Date	Terms of repayment	Coupon/Interest Rate	2018	2017
				Rs.	Rs.
Term Loan from banks (Facility 1)	30th Nov 2019	Quarterly 16 instalments	SLIBOR+0.8%	113,437,500	154,060,000
Term Loan from banks (Facility 2)	01st Dec 2023	Quarterly 16 instalments	AWPLR+1.4%	96,766,052	-
				<u>210,203,552</u>	<u>154,060,000</u>

11.1 The Company has obtained a term loan amounting to Rs.96,766,052/- from Standard Chartered Bank during the year ended 31 March 2018(2015-165,000,000/-) which carry interest rate of AWPLR+1.4%. Loan is repayable in equal quarterly installments after a grace period of two year.

A Corporate Guarantee for the value of USD 1,450,000 was issued by Pidilite Industries Ltd, India as the security against this loan.

	2018	2017
	Rs.	Rs.
12 Retirement benefit obligations		
Balance at the beginning of the year	2,787,422	1,831,860
Charge for the year	1,404,833	754,417
Gratuity transfers from inter company	625,704	201,145
Payments made during the year	-	-
Balance at the end of the year	<u>4,817,959</u>	<u>2,787,422</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.

	2018	2017
	Rs.	Rs.
13 Trade and other payables		
Trade payables	110,194,078	30,383,432
Other payables	7,974,357	7,423,092
	<u>118,168,435</u>	<u>37,806,524</u>

	2018	2017
	Rs.	Rs.
14 Statutory payables		
EPF/ETF payable	828,233	479,838
PAYE payable	222,623	197,132
Stamp duty payable	51,550	36,125
NBT payable	7,481,049	583,989
	<u>8,583,455</u>	<u>1,297,084</u>

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2018	2017		
	<u>Rs.</u>	<u>Rs.</u>		
15 Amount due to related parties				
Pidilite Industries Ltd	166,293,727	97,916,736		
Pidilite Speciality Chemicals Bangladesh (Pvt) Ltd	646,850	632,033		
Nina Water Proofing Systems (Pvt) Ltd - India	-	3,696,340		
	<u>166,940,577</u>	<u>102,245,109</u>		
	2018	2017	2018	2017
	<u>USD</u>	<u>USD</u>	<u>Rs.</u>	<u>Rs.</u>
Other Receivables	(7,425)	(14,460)	(1,158,088)	(2,105,577)
Import Creditors	1,039,059	678,193	162,064,557	102,971,321
Other Payable	38,687	7,167	6,034,108	3,185,667
	<u>1,070,321</u>	<u>670,900</u>	<u>166,940,577</u>	<u>104,051,411</u>
16 Revenue				
Sales			817,488,783	645,568,431
Sales returns			(57,007,268)	(19,177,071)
			<u>760,481,515</u>	<u>626,391,360</u>
17 Profit from operating activities				
The above is stated after charging all expenditure including the following:				
License fees			2,632,459	2,432,166
Depreciation			2,018,147	1,396,209
Amortization			6,900,000	9,600,000
Auditor's remuneration			220,000	200,000
Staff cost (Note 17.1)			69,736,585	47,926,805
17.1 Staff cost				
Staff salary			33,001,604	21,388,346
Bonus			3,121,306	6,084,081
Terminal benefits			6,836,141	4,495,478
Allowances and other benefits			26,777,534	15,958,900
			<u>69,736,585</u>	<u>47,926,805</u>
18 Finance costs				
Bank OD interest			5,083,108	4,959,207
Interest on borrowings			15,720,551	16,894,109
Interest for corporate gurantee			2,263,275	1,446,554
Exchange loss			(142,169)	1,692,971
			<u>22,924,765</u>	<u>24,992,841</u>

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

	2018	2017
	<u>Rs.</u>	<u>Rs.</u>
19 Tax expense		
Income tax expense	-	-
Current period (Note 19.1)	-	-
Origination of temporary differences (Note 19.2)	(996,176)	(4,587,974)
	<u>(996,176)</u>	<u>(4,587,974)</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	(7,741,986)	10,787,644
Add: Disallowable expenses	21,896,987	15,437,297
	<u>14,155,001</u>	<u>26,224,941</u>
Less :Allowable expenses	(36,787,276)	(36,317,609)
Statutory loss from business	<u>(22,632,275)</u>	<u>(10,092,667)</u>
Income tax @ 28%	-	-

Accumulated tax loss as at 31 March 2018 is Rs. 45,647,347/- (2017: Rs. 33,481,130/-)

	2018	2017
	<u>Rs.</u>	<u>Rs.</u>
19.2 Deferred taxation		
Deferred tax assets	17,126,889	10,112,246
Deferred tax liabilities	(22,218,916)	(14,208,098)
Net deferred tax (liabilities) / assets	<u>(5,092,028)</u>	<u>(4,095,852)</u>

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

	Assets	Liabilities	Net
	31 March	31 March	31 March
	2018	2018	2018
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Property, plant and equipments	-	1,153,273	(1,153,273)
Intangible assets	-	78,200,000	(78,200,000)
Employee benefits	4,817,959	-	4,817,959
General provision for inventory	4,395,936	-	4,395,936
Provision for doubtful debts	6,086,218	-	6,086,218
Accumulated tax loss	45,867,347	-	45,867,347
Deferred tax assets / liabilities	<u>61,167,460</u>	<u>79,353,273</u>	<u>(18,185,813)</u>
Deferred tax liability at 28%			<u>(5,092,028)</u>

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

20 Related party transactions

20.1 Transactions with related parties

Related party	Nature of transaction	Transaction amount		Balance as at 31 March	
		2018 Rs.	2017 Rs.	As at 31.03.18 Rs.	As at 31.03.17 Rs.
Macbertan (Private) Limited	Trade purchases	-	(5,800)		
	Shared cost	(5,555,555)	(13,255,140)		
	Other purchases	182,436	(998,314)		
	Settlements	6,346,900	13,397,944		
	Gratuity receivables	625,704	201,145		
	Net Sales	1,408,220	738,071		
	Other Debits	-	590,121		
	Settlements	(969,265)	(466,926)	2,815,156	776,717
Pidilite Speciality Chemicals Bangladesh (Pvt) Ltd	Trade purchases	(3,975,538)	(3,305,089)		
	Settlements	3,961,129	3,574,427		
	Un-realised exchange loss	(408)	11,719	(646,849)	(632,033)
Pidilite Industries Limited	Trade purchases	(287,980,870)	(212,875,009)		
	Settlements	225,328,980	180,230,637		
	Interest for corporate guarantee	(2,263,275)	(1,446,554)		
	SAP licence fees	(2,632,459)	(2,432,166)		
	Other receivables	949,928	5,109,634		
	Un-realised exchange loss	135,601	(64,970)		
	Settlement of Interest on corporate	-	1,548,491		
	Settlement of SAP License fee	-	5,235,799		
	Settlement of other receivables	(1,914,897)	(5,730,283)	(166,293,727)	(97,916,735)
	Nina Water Proofing System (Pvt) - India	Trade Purchases	-	(3,713,677)	
Un-realised exchange loss		-	17,337	-	(3,696,340)
Nina Lanka Construction Technologies (Pvt) Ltd	Sales	-	6,984,726		
	Settlements	-	(195,415)	-	6,789,311

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

21 Transactions with key management personnel

The key management personnel of the company are the Board of Directors of the company. The Company has not paid any compensation to Directors during the year.

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 & 23.2) outstanding as at the reporting date which require adjustments to or disclosure in the financial statements.

23.1 The Company has committed to incur an estimated capital expenditure of Rs.139,301,140/- towards the factory project at polgahawela export processing zone.

	2018	2017
	<u>Rs.</u>	<u>Rs.</u>
23.2 Operating Lease		
Charge during the year	4,088,611	3,096,508
Due less than 1 year	3,756,909	3,581,409
Due over 1 year to 5 year	10,991,136	10,815,636
Due later than 5 years	103,980,431	106,503,897
	<u><u>122,817,087</u></u>	<u><u>123,997,450</u></u>

24 Contingent liabilities

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

	2018	2017
	<u>Rs.</u>	<u>Rs.</u>
Acceptances - LC	28,003,178	5,325,923
Ordinary letter of credit	16,134,528	4,907,280
	<u><u>99,148,834</u></u>	<u><u>17,111,631</u></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.

27 Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 3 May, 2018.