

PIDILITE LANKA (PRIVATE) LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019**



KPMG
(Chartered Accountants)
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PIDILITE LANKA (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pidilite Lanka (Private) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss, 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, the accompanying financial statements give a true and fair view the financial position of the Company as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditors' 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

The Board is responsible for the other information. These financial statements does not include 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 the Board and Those Charged with Governance for the Financial Statements

The Board is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, 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, Board 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.



Auditors' 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 auditors' 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 SLAuSs 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 auditors' responsibilities for the audit of the financial statements is located Sri Lanka Accounting and Auditing Standard web site at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditors' 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, Sri Lanka
02 May 2019

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 March,

	Note	2019 Rs.	2018 Rs.	2017 Rs.
Assets				
Non-current assets				
Property, plant and equipment	2	501,197,197	330,378,071	7,240,105
Intangible assets	3	312,800,000	319,700,000	326,600,000
Investment in associate company		4,000,000	-	-
Prepaid lease rent	4	10,930,420	11,167,180	11,403,940
Deferred tax assets	19	25,732,870	-	-
Total non-current assets		854,660,487	661,245,251	345,244,045
Current assets				
Inventories	5	147,644,738	165,149,894	108,457,139
Trade receivables	6	254,754,191	249,134,697	170,884,294
Other receivables	7	98,416,325	139,014,458	48,712,013
Prepaid lease premium	4	236,760	236,760	236,760
Amount due from related parties	8	3,802,558	2,815,155	7,566,028
Cash and cash equivalents	9	1,738,615	4,241,303	350,000
Total current assets		506,593,187	560,592,267	336,206,234
Total assets		1,361,253,674	1,221,837,518	681,450,279
Equity and liabilities				
Equity				
Stated capital	10	855,318,203	592,918,042	303,022,000
Retained earnings		(66,687,392)	(3,353,140)	5,385,022
Total equity		788,630,811	589,564,902	308,407,022
Non-current liabilities				
Interest bearing loans and borrowings	11	216,937,500	168,953,552	113,437,500
Retirement benefit obligations	12	6,552,703	4,817,959	2,787,422
Total non-current liabilities		223,490,203	173,771,511	116,224,922
Current liabilities				
Trade and other payables	13	55,086,583	118,168,435	37,806,524
Statutory payables	14	13,684,920	8,583,455	1,297,084
Interest bearing loans and borrowings	11	41,250,000	41,250,000	40,622,500
Amount due to related parties	15	39,667,283	166,940,577	102,245,109
Accrued expenses		5,260,256	6,272,367	3,320,347
Deferred tax liability		-	5,092,028	4,095,852
Bank overdraft	9	194,183,618	112,194,243	67,430,919
Total current liabilities		349,132,660	458,501,105	256,818,335
Total liabilities		572,622,863	632,272,616	373,043,257
Total equity and liabilities		1,361,253,674	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.

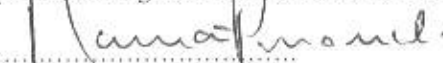
I certify that these financial statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards.

Approved and signed for and on behalf of the Board:



Director



Director

02 May 2019
Colombo

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS

For the year ended 31 March,

	Note	2019 <u>Rs.</u>	2018 <u>Rs.</u>
Revenue	16	895,888,391	760,481,515
Cost of sales		(691,702,832)	(564,898,871)
Gross profit		204,185,559	195,582,644
Other income		688,338	2,787,627
Distribution expenses		(58,895,314)	(60,522,326)
Administrative expenses		(175,183,144)	(122,665,166)
Results from operating activities	17	(29,204,561)	15,182,779
Finance costs	18	(64,954,589)	(22,924,765)
Loss before tax expense		(94,159,150)	(7,741,986)
Tax expense	19	30,824,898	(996,176)
Loss for the year		(63,334,252)	(8,738,162)

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 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
Shares issued during the year	262,400,161	-	262,400,161
Loss for the year	-	(63,334,252)	(63,334,252)
Balance as at 31st March 2019	855,318,203	(66,687,392)	788,630,811

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 FLOWS

For the year ended 31 March,

	Note	2019 <u>Rs.</u>	2018 <u>Rs.</u>
Cash flows from operating activities			
Loss before tax expense		(94,159,150)	(7,741,986)
<i>Adjustments for:</i>			
Depreciation for property, plant and equipment		27,502,440	2,018,147
Amortisation for intangible assets		6,900,000	6,900,000
Amortisation for lease premium		236,760	236,760
Provision for retirement benefit obligations		1,734,744	2,030,537
Provision for damaged stocks		3,459,034	10,892,498
Provision for doubtful debts		4,570,600	3,303,139
Interest expense		64,954,589	22,924,765
ESC write-off		3,131,957	-
Operating profit before working capital changes		18,330,974	40,563,860
Changes in :			
Inventories		14,046,122	(67,585,253)
Trade receivables		(10,190,094)	(81,553,542)
Other receivables		37,466,178	(90,302,445)
Amount due from related parties		(987,403)	4,750,873
Trade and other payables		(63,081,852)	80,361,911
Amounts due to related parties		(127,273,294)	64,695,468
Statutory payables		5,101,465	7,286,371
Accrued expenses		(1,012,113)	2,952,020
Net cash flow used in after working capital changes		(127,600,017)	(38,830,737)
Interest paid		(64,954,589)	(22,924,765)
Net cash flows used in operating activities		(192,554,606)	(61,755,502)
Cash flows from investing activities			
Purchases of property, plant and equipment		(198,321,566)	(325,156,113)
Investment in associate company		(4,000,000)	-
Net cash used in investing activities		(202,321,566)	(325,156,113)
Cash flows from financing activities			
Proceeds from issue of share capital		262,400,161	289,896,042
Proceeds from loans and borrowings		89,233,948	96,766,052
Loan repayment		(41,250,000)	(40,622,500)
Net cash generated from financing activities		310,384,109	346,039,594
Net decrease in cash and cash equivalents		(84,492,063)	(40,872,021)
Cash and cash equivalents at the beginning of the year		(107,952,940)	(67,080,919)
Cash and cash equivalents at the end of the year	9	(192,445,003)	(107,952,940)

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 2019,

1. Accounting policies

1.1 Reporting entity

Pidilite Lanka (Private) Limited (“the Company”) is a private limited liability Company incorporated in Sri Lanka under the provisions of the Companies Act No 07 of 2007. The registered office and the place of business of the Company is located at No.74, 1/1, Orient Building, Dawson Street, Colombo 02.

Principal 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 which comprise statement of Financial Position, statement of Profit or loss, Statement of Changes in Equity, Statement of Cash Flows and Notes have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka.

These are the Company’s first financial statements prepared in accordance with SLFRSs and LKASs and *SLFRS 1-First-Time Adoption of Sri Lanka Accounting Standards* has been applied.

An explanation of how the transition to SLFRSs/LKASs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 25.

(b.) Basis of measurement

The financial statements have been prepared on a historical cost basis. No adjustments have been made for inflationary factors in the financial statements.

(c.) Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates. Financial Statements are presented in Sri Lankan Rupees, which is the Company’s functional currency. There was no change in the Company’s presentation and functional currency during the year under review.

(d.) Presentation of Financial Statements

The assets and liabilities of the Company presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements. Financial assets and financial liabilities are offset and the net amount reported in the Financial Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Financial statement of Profit or loss unless required or permitted by an Accounting standard or interpretation, and as specifically disclosed in the Accounting Policies of the Company.

(e.) Materiality and aggregation

Each material class of similar items are presented separately in the Financial Statement. Items which dissimilar in nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard –LKAS 1 – “Presentation of Financial Statements.

(f.) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by accounting standards.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019,

1.2 Basis of preparation (Continued)

(g.) Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the Statement of Financial Position only where there is a legal right to set off the recognized amounts and it intends either to settled on a net basis or to realize the asset and settle the liability simultaneously.

(h.) Use of judgments and estimates

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS/LKAS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amount may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are described in Notes below:

(i.) Assumptions and estimation uncertainties

i) Going Concern

The management has made as assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

ii) Useful life of property, plant and equipment

The Group reviews the residual values, useful life and method of depreciation for Property, Plant & Equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rate, methods and hence subject to uncertainty.

iii) Commitment and contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or can't be reliably measured.

Summary of legal cases against the Company have been disclosed in the Notes to the Financial Statements. However, based on the available information and the available legal advice, the Company do not expect the outcome of any action to have any material effect on the financial position of the Company.

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

Property, Plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019,

1.3 Significant accounting policies (Continued)

(a.) Property, plant and equipment (Continued)

i) Recognition

Property, Plant and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

ii) Measurement

An item of Property, Plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment.

iii) Cost Model

The Company applies cost model to Property, Plant and equipment except for freehold land and records at cost of purchase or construction together with any directly attributable expenses thereon less accumulated depreciation and any accumulated impairment losses.

iv) Subsequent Cost

The subsequent cost of replacing a component of an item of Property, Plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognized. The costs of day-to-day servicing of property, plant and equipment are charged to the statement of profit or loss as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

v) Derecognition

The carrying amount of an item of Property, Plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Property, Plant and equipment is included in the statement of Profit or loss income when the item is derecognized. Then replacement costs are recognized in the carrying amount of an item of Property, Plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

vi) Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation is determined separately for each significant component of an item of Property, Plant and equipment. The Management reviews the assets residual value, useful life and depreciation method at each reporting date. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019,

1.3 Significant accounting policies (Continued)

Companies within the Company use the same depreciation rates and policies.

	Years
Office equipment	4
Furniture and fittings	4
Computer equipment	4
Factory Machinery	10
Factory Equipment	5
Building	48
Laboratory Equipment	5
Tools and Dies	4

vii) Useful life time of property, plant and equipment

The Company reviews the residual values, useful lives and method of deprecation of property, plant and equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

(b.) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

i) Recognition

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

(c.) Subsequent expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

(d.) Amortization

Intangible assets that have finite useful lifetime are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life time of Commercial and Technical Know-how is ten years. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019,

1.3 Significant accounting policies (Continued)

(e.) Impairment

Intangible assets that have indefinite useful lifetime should be test for impairment by comparing its recoverable amount with its carrying amount annually, and whenever there is an indication that the intangible asset may be impaired.

(f.) Derecognition

An intangible asset shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in profit or loss when the asset is derecognized.

(g.) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable 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%

(g.) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and cash at bank.

(h.) Cash flow statement

Cash flow statement has been prepared using the indirect method.

(i.) Trade and other receivables

Trade and other receivables are stated at the amounts they are estimated to realize, net of provisions for bad and doubtful receivables. A provision for doubtful debts is made where as there is objective evidence that the Company will not be able to recover all amounts due according to the original terms of receivables. An estimate is made for bad and doubtful receivables based on a review of all outstanding amounts at the reporting date as follows;

	Percentage
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%

1.3 Significant accounting policies (Continued)

(j.) Related party transactions

Disclosure has been made in respect of transactions in which one party has the ability to control or exercise significant influence over financial and operating policies/decisions of the other, irrespective of whether a price is charged or not.

i) Transactions with related parties

Transfer prices between group/related entities are set on an arms-length basis in a manner similar to transactions with third parties. The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24. The Pricing applicable to such transactions is based on the assessment of the risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated Customers.

ii) Transactions with key management personnel

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), personnel hold designation of General Manager and above positions and their immediate family member have been classified as Key Management Personnel of the Company. The immediate family member is defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs.

(k.) 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 on demand or within one year of the reporting date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the reporting date are treated as non-current liabilities in the statement of financial position.

A provision is recognized 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.

(l.) Financial instruments

i) Recognition and initial measurement

The Company initially recognizes all financial assets and liabilities on becoming party to the contractual provisions of the instruments. However, for financial assets/liabilities held at fair value through profit or loss, any changes in fair value from the trade date to settlement date is accounted in the statement of profit or loss, while for available-for-sale financial assets any changes in fair value from the trade date to settlement date is accounted in the statement of other comprehensive income. A financial asset or a financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue all financial assets and liabilities are initially recognized, except for regular way purchase, on the trade date and any regular way transactions are recognized on the settlement date which was established by the regulator or the market conventions

ii) Financial liabilities

The Company initially recognizes all financial liabilities on the date that they are originated and classifies its financial liabilities as measured at amortized cost.

1.3 Significant accounting policies (Continued)

iii) Financial liabilities at amortized cost

Financial instruments issued by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'bank loan' and 'convertible loan' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial recognition, such financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in 'interest expenses' in the statement of profit or loss. The details of the Companies financial liabilities at amortized cost is disclosed.

(n.) 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.

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 recognized as an expense in the statement of comprehensive income and retained earnings as incurred. The Company contributes 12% and 3% of gross emoluments of employees as Provident Fund and Trust Fund contribution respectively.

(m.) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are stated at cost.

(o.) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The revenue of the Company is recognized on an accrual basis and matched with associated costs and expenses.

(p.) 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 profit or loss for the year.

1.3 Significant accounting policies (Continued)

(q.) Taxation

i) Income taxation

Income tax expense comprises of current and deferred tax. The income tax expense is recognized in profit or loss except to the extent that it relates to the items recognized directly in other comprehensive income or statement of changes in equity, in which case it is recognized accordingly.

ii) Current taxation

Provision for current taxation is based on the profit of the year adjusted to arrive at the taxable profit in accordance with the Inland Revenue Act No.24 of 2017 and amendments there to.

iii) Deferred taxation

Deferred taxation has been provided for under the liability method on temporary differences as at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that future taxable profit will be available to recover the deferred tax assets.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

(r.) 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.

(s.) 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.

Commitments and contingent liabilities are disclosed in Notes 23 and 24 respectively to the financial statements.

(t.) New SLFRS issued but not yet effective

Number of accounting standards and amendments to standards which have been issued but not yet effective as at the reporting date have not been applied in preparing these financial statements. Accordingly following accounting standard have not been applied in preparing these financial statements.

- SLFRS 16 - Leases – effective for annual periods beginning on or after January 01, 2019.

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		Factory Machinery		Factory Equipments		Building		Laboratory Equipments		Tools and Dies		Total 2019	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
Cost																				
Balance as at 01 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													334,070,619
Additions during the year	-		1,155,974		963,670		8,988,904		81,863,327		99,632,082		1,820,614		3,776,146		120,850			198,321,566
Transferred to building	(324,643,937)		-		-		-		-		-		324,643,937		-		-		-	-
Balance as at 31 March 2019	-		2,830,057		4,757,380		12,947,792		81,863,327		99,632,082		326,464,551		3,776,146		120,850			532,392,185
Accumulated depreciation																				
Balance as at 01 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													3,692,548
Charge for the year	-		639,518		1,057,994		2,228,133		5,854,023		12,544,318		4,695,966		459,830		22,659			27,502,440
Balance as at 31 March 2019	-		1,356,872		2,407,170		3,854,150		5,854,023		12,544,318		4,695,966		459,830		22,659			31,194,988
Carrying amount																				
As at 31 March 2019	-		1,473,185		2,350,210		9,093,642		76,009,304		87,087,764		321,768,585		3,316,316		98,191			501,197,197
As at 31 March 2018	324,643,937		956,729		2,444,534		2,332,870		-		-		-		-		-			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 2019
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Cost			
Balance as at 1 April 2018	69,000,000	276,000,000	345,000,000
Additions during the year	-	-	-
Balance as at 31 March 2019	69,000,000	276,000,000	345,000,000
Accumulated amortization			
Balance as at 1 April 2018	16,100,000	9,200,000	25,300,000
Charge for the year (Note 3.1)	6,900,000	-	6,900,000
Balance as at 31 March 2019	23,000,000	9,200,000	32,200,000
Carrying amount			
As at 31 March 2019	46,000,000	266,800,000	312,800,000
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

	2019	2018	2017
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Prepaid lease rent (Note 4.1)	11,167,180	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

	2019	2018	2017
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Prepaid lease rent	11,403,940	11,640,700	11,838,000
Amortization for the year	(236,760)	(236,760)	(197,300)
	11,167,180	11,403,940	11,640,700

Prepaid lease rent within one year	236,760	236,760	236,760
Prepaid lease rent more than one year	10,930,420	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.

	2019	2018	2017
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
5 Inventories			
Raw materials	30,451,495	25,527,252	13,314,845
Work in progress	17,958,828	15,071,851	8,783,620
Finished goods	96,231,193	114,190,548	81,011,627
Goods in transit	9,785,704	10,426,103	-
Packing materials	12,130,887	15,388,475	9,908,884
	166,558,107	180,604,229	113,018,976
(-) Provision for impairment on slow moving inventories	(18,913,369)	(15,454,335)	(4,561,837)
	147,644,738	165,149,894	108,457,139

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2019	2018	2017
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
6 Trade receivables			
Trade receivables (Note 6.1)	265,411,009	255,220,915	173,667,373
Provision for bad and doubtful debts (Note 6.2)	(10,656,818)	(6,086,218)	(2,783,079)
	<u>254,754,191</u>	<u>249,134,697</u>	<u>170,884,294</u>
6.1 Debtors more than 6 months old	10,926,188	3,827,851	3,562,208
Debtors less than 6 months old	254,484,821	245,306,847	167,322,086
	<u>265,411,009</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	7,114,050	4,651,548	2,387,756
On receivables more than a year	3,542,768	1,434,670	395,323
	<u>10,656,818</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 PLC.

The carrying amount of debtors pledged as security for liabilities is Rs. 254,754,191 as at March 31, 2019 (March 31, 2018: Rs. 212,000,000, March 31, 2017: 152,000,000).

	2019	2018	2017
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
7 Other receivables			
Advances	4,380,047	60,697,984	7,932,331
Pre-payments	3,901,980	2,704,784	5,134,124
VAT receivables	67,809,465	67,655,498	34,739,732
Income tax recoverable	7,799,780	-	-
Miscellaneous	3,091,345	821,482	905,826
NBT Receivable	11,433,708	7,134,710	-
	<u>98,416,325</u>	<u>139,014,458</u>	<u>48,712,013</u>
8 Amount due from related parties			
Macbertan (Private) Limited	3,088,343	2,815,155	776,717
Nina Lanka Construction Technologies (Private) Ltd	714,215	-	6,789,311
	<u>3,802,558</u>	<u>2,815,155</u>	<u>7,566,028</u>
9 Cash and cash equivalents			
Cash at bank	1,238,615	3,529,904	250,000
Cash in hand	500,000	711,399	100,000
	<u>1,738,615</u>	<u>4,241,303</u>	<u>350,000</u>
Bank overdraft (9.1)	(194,183,618)	(112,194,243)	(67,430,919)
	<u>(192,445,003)</u>	<u>(107,952,940)</u>	<u>(67,080,919)</u>
9.1 Bank overdraft facility of Rs.204,000,000/- 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/-, Rs.60,000,000/-, and Rs.67,000,000/-			
10 Stated capital	855,318,203	592,918,042	303,022,000
6,734,789 Ordinary Shares	<u>855,318,203</u>	<u>592,918,042</u>	<u>303,022,000</u>

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2019 <u>Rs.</u>	2018 <u>Rs.</u>	2017 <u>Rs.</u>
11 Interest bearing loans and borrowings			
Balance at the beginning of the year	210,203,552	154,060,000	165,000,000
Loans obtained during the year	89,233,948	96,766,052.00	-
Repayments during the year	(41,250,000)	(40,622,500)	(10,940,000)
Balance at the end of the year	<u>258,187,500</u>	<u>210,203,552</u>	<u>154,060,000</u>
Due after one year	216,937,500	168,953,552	113,437,500
Due within one year	41,250,000	41,250,000	40,622,500

Nature of Borrowing	Maturity Date	Terms of repayment	Coupon/Interest Rate	2019 Rs.	2018 Rs.	2017 Rs.
Term Loan from banks (Facility 1)	1st Dec 2020	Quarterly 16 instalments	SLIBOR+0.8%	72,187,500	113,437,500	154,060,000
Term Loan from banks (Facility 2)	26th Jan 2024	Quarterly 16 instalments	AWPLR-0.5%	160,000,000	96,766,052	-
Term Loan from banks (Facility 3)	31st Oct 2024	Quarterly 16 instalments	AWPLR-0.5%	26,000,000	-	-
				<u>258,187,500</u>	<u>210,203,552</u>	<u>154,060,000</u>

11.1 The Company has obtained a term loan amounting to Rs.63,233,948/- and another Rs 26,000,000 which carry interest rate of AWPLR-0.5% from Standard Chartered Bank during the year ended 31 March 2019 / (2018-165,000,000/- & 96,766,052/-) and repayable in equal quarterly installments after a grace period of two year.

A Corporate Guarantee for the value of USD 1,450,000 and USD 535,000 was issued by Pidilite Industries Ltd, India as the security against this loan.

	2019 <u>Rs.</u>	2018 <u>Rs.</u>	2017 <u>Rs.</u>
12 Retirement benefit obligations			
Balance at the beginning of the year	4,817,959	2,787,422	1,831,860
Charge for the year	1,734,744	1,404,833	754,417
Gratuity transfers from inter company	-	625,704	201,145
Balance at the end of the year	<u>6,552,703</u>	<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.

	2019 <u>Rs.</u>	2018 <u>Rs.</u>	2017 <u>Rs.</u>
13 Trade and other payables			
Trade payables	30,233,140	110,194,078	30,383,432
Other payables	24,853,443	7,974,357	7,423,092
	<u>55,086,583</u>	<u>118,168,435</u>	<u>37,806,524</u>

	2019	2018	2017
14 Statutory payables			
EPI/ETF payable	998,378	828,233	479,838
PAYE payable	320,652	222,623	197,132
Stamp duty payable	47,300	51,550	36,125
NBT payable	12,255,225	7,481,049	583,989
Withholding Tax Payable	63,365	-	-
	<u>13,684,920</u>	<u>8,583,455</u>	<u>1,297,084</u>

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31 March,</i>		2019	2018	2017
		<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
15	Amount due to related parties			
	Pidilite Industries Ltd	38,936,837	166,293,727	97,916,736
	Pidilite Speciality Chemicals Bangladesh (Pvt) Ltd	730,446	646,850	632,033
	Nina Water Proofing Systems (Pvt) Ltd - India	-	-	3,696,340
		<u>39,667,283</u>	<u>166,940,577</u>	<u>102,245,109</u>
		<u>2019</u>	<u>2018</u>	<u>2017</u>
		<u>USD</u>	<u>USD</u>	<u>USD</u>
	Other Receivables	(19,946)	(7,425)	(14,460)
	Import Creditors	170,029	1,039,059	678,193
	Other Payable	75,133	38,687	7,167
		<u>225,216</u>	<u>1,070,321</u>	<u>670,900</u>
		<u>2019</u>	<u>2018</u>	<u>2017</u>
		<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
	Other Receivables	(3,250,453)	(1,158,088)	(2,105,577)
	Import Creditors	30,626,670	162,064,557	102,971,321
	Other Payable	12,291,067	6,034,108	3,185,667
		<u>39,667,284</u>	<u>166,940,577</u>	<u>104,051,411</u>
<i>For the year ended 31 March,</i>			2019	2018
			<u>Rs.</u>	<u>Rs.</u>
16	Revenue			
	Sales		934,319,296	817,488,783
	Sales returns		(38,430,905)	(57,007,268)
			<u>895,888,391</u>	<u>760,481,515</u>
17	Profit from operating activities			
	The above is stated after charging all expenditure including the following:			
	License fees		3,366,718	2,632,459
	Depreciation		27,502,440	2,018,147
	Amortization		6,900,000	6,900,000
	Auditors' remuneration		325,000	220,000
	Staff cost (Note 17.1)		79,944,093	69,736,585
17.1	Staff cost			
	Staff salary		37,376,959	33,001,604
	Bonus		3,870,477	3,121,306
	Terminal benefits		7,482,765	6,836,141
	Allowances and other benefits		31,213,892	26,777,534
			<u>79,944,093</u>	<u>69,736,585</u>
18	Finance costs			
	Bank OD interest		14,710,372	5,083,208
	Interest on borrowings		23,545,829	15,720,551
	Interest for corporate gurantee		2,946,688	2,263,275
	Exchange loss		23,751,700	(142,169)
			<u>64,954,589</u>	<u>22,924,865</u>

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

	2019	2018
	<u>Rs.</u>	<u>Rs.</u>
19 Tax expense		
Income tax expense	-	-
Current period (Note 19.1)	-	-
Origination of temporary differences (Note 19.2)	30,824,898	(996,176)
	<u>30,824,898</u>	<u>(996,176)</u>

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

19.1 Tax reconciliation statement

Profit before taxation	(94,159,150)	(7,741,986)
Add.: Disallowable expenses	50,457,760	21,896,987
	(43,701,390)	14,155,001
Less : Allowable expenses	(96,552,548)	(36,787,276)
Statutory loss from business (Note 19.2)	<u>(140,253,938)</u>	<u>(22,632,275)</u>
Income tax @ 28%	-	-

Accumulated tax loss as at 31 March 2019 is Rs. 193,168,180/- (2018: Rs. 45,647,347/-)

	2019	2018
	<u>Rs.</u>	<u>Rs.</u>
19.2 Deferred taxation		
Deferred tax assets	64,201,500	17,126,889
Deferred tax liabilities	<u>(38,468,630)</u>	<u>(22,218,916)</u>
Net deferred tax assets / (liabilities)	<u>25,732,870</u>	<u>(5,092,028)</u>

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
	31 March	31 March	31 March
	2019	2019	2019
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Property, plant and equipments	-	31,587,963	(31,587,963)
Intangible assets	-	105,800,000	(105,800,000)
Employee benefits	6,552,703	-	6,552,703
General provision for inventory	18,913,369	-	18,913,369
Provision for doubtful debts	10,656,818	-	10,656,818
Accumulated tax loss	193,168,180	-	193,168,180
Deferred tax assets	<u>229,291,070</u>	<u>137,387,963</u>	<u>91,903,108</u>
Deferred tax Asset at 28%			<u>25,732,870</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	
		2019 Rs.	2018 Rs.	As at 31.03.19 Rs.	As at 31.03.18 Rs.
Macbertan (Private) Limited	Opening balance	2,815,156	776,717		
	Trade purchases	-	-		
	Shared cost	(2,945,948)	(5,555,555)		
	Other purchases	(182,436)	182,436		
	Settlements	3,972,832	6,346,900		
	Gratuity receivables	-	625,704		
	Net Sales	(871,259)	1,408,220		
	Other Debits	300,000	-		
	Settlements	-	(969,265)	3,088,343	2,815,156
Pidilite Speciality Chemicals Bangladesh (Pvt) Ltd	Opening balance	(646,849)	(632,033)		
	Trade purchases	(3,500,860)	(3,975,538)		
	Settlements	3,393,105	3,961,129		
	Un-realised exchange loss	24,157	(408)	(730,446)	(646,849)
Pidilite Industries Limited	Opening balance	(166,293,727)	(97,916,736)		
	Trade purchases	(253,037,160)	(287,980,870)		
	Settlements	384,102,222	225,328,980		
	Interest for corporate gurance	(2,946,688)	(2,263,275)		
	SAP liscense fees	(3,345,571)	(2,632,459)		
	Other receivables	3,059,772	949,928		
	Un-realised exchange loss	474,245	135,601		
	on corporate guarantee	-	-		
	Settlement of SAP Licennse fee	-	-		
	Settlement of other receivables	(949,928)	(1,914,897)	(38,936,837)	(166,293,727)

20.2 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.

For the year ended 31 March,

21 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk
- (iv) Currency risk
- (v) Interest risk
- (vi) Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(iv) Interest rate risk

Interest rate risk exists in interest-bearing liabilities, due to the possibility of a change in the liabilities' value resulting from the variability of interest rates. Since interest rate risk management has become imperative, Pidilite Lanka (Private) Limited takes proactive measures to manage the exposure by forecasting the rate fluctuations.

As at 31 March 2019	Carrying Rs.	Maturity			
		Less than 12 months Rs.	1-2 years Rs.	2-5 years Rs.	More than 5 years Rs.
Interest bearing liabilities					
Loan from bank	258,187,500	41,250,000	120,145,833	96,791,667	-

(v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market corporate behavior,

(vi) Currency risk

The Company is exposed to currency risk on payable to the related parties, foreign currency accounts and supplier payments that are denominated in a currency other than the respective functional currencies of the Company, primarily

As at 31st March	2019			2018		
	Amount	Rate	Value Rs.	Amount	Rate	Value Rs.
Currency						
USD	341,196	176.13	60,094,887	1,265,903	155.97	197,446,056

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.

	2019	2018
	<u>Rs.</u>	<u>Rs.</u>
23.1 Operating Lease		
Charge during the year	9,285,792	4,088,611
Due less than 1 year	8,485,059	3,756,909
Due over 1 year to 5 year	17,730,141	10,991,136
Due later than 5 years	101,681,080	103,980,431
	<u>137,182,071</u>	<u>122,817,087</u>

24 Contingent liabilities

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

	2019	2018
	<u>Rs.</u>	<u>Rs.</u>
Acceptances	9,791,983	28,003,178
Ordinary letter of credit	6,541,257	16,134,528
	<u>16,333,239</u>	<u>44,137,706</u>

25 Impact on first time adoption

There were no significant changes to the numbers reported under SLFRSs compared to the previous accounting framework, as such a reconciliation of changes is not provided in these financial statements.

26 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.

27 Directors' responsibility

The directors are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards.

28 Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 02 May 2019.