



*Helmi Talib & Co*

Chartered Accountants of Singapore  
An Independent Member Firm of IAPA



## **INDEPENDENT AUDITOR'S REPORT**

*TO THE MEMBER OF PIDILITE INNOVATION CENTRE PTE. LTD.*

### *Report on the Financial Statements*

We have audited the accompanying financial statements of PIDILITE INNOVATION CENTRE PTE. LTD. (the Company), which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, so as to give a true and fair view of the financial position of the Company as at 31 March 2016 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

# *Helmi Talib & Co*

## ***Report on Other Legal and Regulatory Requirements***

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

*Helmi Talib & Co.*

**HELMI TALIB & CO**  
Public Accountants and  
Chartered Accountants

Singapore

Date: 22 April 2016

Partner-in-charge : Suriyati binti Mohamed Yusof  
PAB No. : 01627

**PIDILITE INNOVATION CENTRE PTE. LTD.***Company Registration No.: 200619063N***STATEMENT OF COMPREHENSIVE INCOME***For the financial year ended 31 March 2016*

	<b>Note</b>	<b>2016</b> SGD	<b>2015</b> SGD
Revenue	4	2,008,743	1,851,582
Other income	5	531,312	741,365
Changes in inventories of finished goods		(14,643)	16,612
Purchases consumed and related costs	6	(1,164,063)	(1,076,023)
Employee benefits expense	7	(776,643)	(743,939)
Depreciation of plant and equipment		(16,702)	(25,305)
Finance costs	8	(1,525)	(1,525)
Other expenses	9	(330,676)	(302,753)
Profit before taxation		235,803	460,014
Income tax expense	10 (a)	(50,928)	(73,084)
Profit for the year		184,875	386,930
Total Comprehensive Income		184,875	386,930

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

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

**STATEMENT OF FINANCIAL POSITION**  
*As at 31 March 2016*

	Note	2016 SGD	2015 SGD
<b><u>ASSETS</u></b>			
<b><u>Current assets</u></b>			
Cash and bank balances	11	689,274	709,983
Trade and other receivables	12	816,962	512,849
Inventories	13	258,075	227,813
<b>Total current assets</b>		<b>1,764,311</b>	<b>1,450,645</b>
<b><u>Non-current assets</u></b>			
Plant and equipment	14	45,137	62,394
<b>Total non-current assets</b>		<b>45,137</b>	<b>62,394</b>
<b>Total assets</b>		<b>1,809,448</b>	<b>1,513,039</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b><u>Current liabilities</u></b>			
Trade and other payables	15	456,352	337,523
Finance lease liabilities	16	7,230	7,295
Income tax liabilities	10 (b)	-	-
<b>Total current liabilities</b>		<b>463,582</b>	<b>344,818</b>
<b><u>Non-current liabilities</u></b>			
Finance lease liabilities	16	-	7,230
<b>Total non-current liabilities</b>		<b>-</b>	<b>7,230</b>
<b>Total liabilities</b>		<b>463,582</b>	<b>352,048</b>
<b><u>Equity</u></b>			
Share capital	17	995,155	995,155
Retained earnings		350,711	165,836
<b>Total equity</b>		<b>1,345,866</b>	<b>1,160,991</b>
<b>Total liabilities and equity</b>		<b>1,809,448</b>	<b>1,513,039</b>

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

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

**STATEMENT OF CHANGES IN EQUITY**  
*For the financial year ended 31 March 2016*

	<b>Note</b>	<u>Share capital</u> SGD	<u>2016</u> <u>Retained earnings</u> SGD	<u>Total</u> SGD
<b>Equity</b>				
Balance at beginning of year		995,155	165,836	1,160,991
<b>Comprehensive income</b>				
Total comprehensive income for the year		-	184,875	184,875
Balance at end of year		995,155	350,711	1,345,866

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

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

**PIDILITE INNOVATION CENTRE PTE. LTD.**

Company Registration No.: 200619063N

**STATEMENT OF CASH FLOWS**

For the financial year ended 31 March 2016

	Note	2016 SGD	2015 SGD
<b>Cash flows from operating activities</b>			
Profit before taxation		235,803	460,014
<b>Adjustments for</b>			
Depreciation of plant and equipment		22,294	44,677
Impairment of trade receivables		374	4,296
Interest expense		1,525	1,525
Impairment of inventories		4,812	-
Interest income		(3,474)	(607)
Reversal of impairment of inventories		(4,186)	(9,949)
Unrealised foreign exchange (gain) loss		(57)	66
Total adjustments to profit account		21,288	40,008
Total operating cash flows before changes in working capital		257,091	500,022
<b>Changes in working capital</b>			
Adjustments for (increase) decrease in trade and other receivables		(304,487)	51,134
Adjustments for increase in inventories		(30,888)	(25,197)
Adjustments for increase (decrease) in trade and other payables		118,829	(40,536)
Total changes in working capital		(216,546)	(14,599)
Cash generated from operations		40,545	485,423
Interest received		3,474	607
Interest paid		(1,525)	(1,525)
Income taxes paid		(50,928)	(73,084)
Net cash flows (used in) from operating activities		(8,434)	411,421
<b>Cash flows used in investing activities</b>			
Purchase of plant and equipment		(5,037)	(10,392)
Net cash flows used in investing activities		(5,037)	(10,392)
<b>Cash flows used in financing activities</b>			
Payments of obligations under finance leases		(7,295)	(7,295)
Net cash flows used in financing activities		(7,295)	(7,295)
Net (decrease) increase in cash and bank balances before effect of exchange rate changes		(20,766)	393,734
Effect of exchange rate changes in balance of cash held in foreign currencies		57	(66)
Net (decrease) increase in cash and cash balances		(20,709)	393,668
Cash and bank balances at beginning of financial year		709,983	316,315
Cash and bank balances at end of financial year	11	689,274	709,983
<b>Net cash flows</b>			
Net cash flows (used in) from operating activities		(8,434)	411,421
Net cash flows used in investing activities		(5,037)	(10,392)
Net cash flows used in financing activities		(7,295)	(7,295)

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

**PIDILITE INNOVATION CENTRE PTE. LTD.**

*Company Registration No.: 200619063N*

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2016*

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

**1 CORPORATE INFORMATION**

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

The financial statements of the Company for the financial year ended 31 March 2016 were authorised for issue in accordance with a resolution as at date of Directors' Statement.

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

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

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

**2 SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

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

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

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

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

**2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 April 2015. The adoption of these standards did not have any effect on the financial performance or position of the Company.

**PIDILITE INNOVATION CENTRE PTE. LTD.**

Company Registration No.: 200619063N

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 March 2016

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.3 Standards issued but not yet effective**

The following improvement to FRSs have become effective for annual period beginning on and after the respective dates:

	<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to FRS 1	: Disclosure Initiative	1 January 2016
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 109	: Financial Instruments	1 January 2018

As the Company's financial period begins on 1 April 2015, these are not required to be adopted for the financial year ended 31 March 2016.

Except for FRS 115 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

*FRS 115 Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Company include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

*FRS 109 Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.



**PIDILITE INNOVATION CENTRE PTE. LTD.**

*Company Registration No.: 200619063N*

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2016*

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**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.3 Standards issued but not yet effective (Continued)**

*FRS 109 Financial Instruments* (Continued)

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

**2.4 Functional and foreign currency**

*(a) Functional currency*

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

*(b) Foreign currency*

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

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

**2.5 Cash and bank balances**

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

**2.6 Financial assets**

*(a) Initial recognition and measurement*

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

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

**PIDILITE INNOVATION CENTRE PTE. LTD.**

*Company Registration No.: 200619063N*

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2016*

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.6 Financial assets (Continued)**

*(b) Subsequent measurement*

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

Loans and receivables

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

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

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

*(c) Derecognition*

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

*(d) Regular way purchases and sales of financial asset*

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

**2.7 Impairment of financial assets**

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

*(a) Financial assets carried at amortised cost*

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

**PIDILITE INNOVATION CENTRE PTE. LTD.**

Company Registration No.: 200619063N

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 March 2016

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.7 Impairment of financial assets (Continued)**

*(a) Financial assets carried at amortised cost (Continued)*

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

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

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

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

*(b) Financial assets carried at cost*

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

**2.8 Inventories**

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

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

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

**PIDILITE INNOVATION CENTRE PTE. LTD.**

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**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2016*

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.9 Plant and equipment**

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

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

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

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

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

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

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

**2.10 Impairment of non-financial assets**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2016*

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**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.11 Financial liabilities**

*(a) Initial recognition and measurement*

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

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

*(b) Subsequent measurement*

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

*(c) De-recognition*

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

**2.12 Provisions**

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

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

**2.13 Share capital**

Ordinary shares

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

**PIDILITE INNOVATION CENTRE PTE. LTD.**

*Company Registration No.: 200619063N*

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2016*

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.14 Revenue recognition**

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

*(a) Research and development fees*

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

*(b) Technical consultancy fees*

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

*(c) Sale of goods*

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

*(d) Royalty income*

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

*(e) Interest income*

Interest income is recognised as interest accrues.

**2.15 Operating leases**

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

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

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

**PIDILITE INNOVATION CENTRE PTE. LTD.**

Company Registration No.: 200619063N

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 March 2016

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**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.16 Employee benefits**

*(a) Defined contribution plan*

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

*(b) Employee leave entitlement*

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

**2.17 Government grants**

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

**2.18 Taxes**

*(a) Current income tax*

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

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

*(b) Deferred tax*

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

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

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

**PIDILITE INNOVATION CENTRE PTE. LTD.**

*Company Registration No.: 200619063N*

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2016*

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.18 Taxes (Continued)**

*(b) Deferred tax (Continued)*

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

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

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

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

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

*(c) Goods and services tax*

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

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

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



**PIDILITE INNOVATION CENTRE PTE. LTD.**

Company Registration No.: 200619063N

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 March 2016

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.19 Related party

A related party is defined as follows:

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

**3 HOLDING COMPANY AND RELATED PARTY TRANSACTIONS**

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

*(a) Significant related party transactions*

	<u>2016</u>	<u>2015</u>
	\$	\$
<i>Ultimate holding company, Pidilite Industries Limited</i>		
Research & Development fees	(702,000)	(702,000)
Royalty income	(498,510)	(718,246)
Technical consultancy fees	(60,000)	(60,000)
Sales of goods	-	(19,497)
Purchases of raw materials	128,181	92,890
Reimbursement of expenses	313,624	281,840

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 March 2016

**3 HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (Continued)**

(a) *Significant related party transactions (Continued)*

As at 31 March 2016, the Company has trade receivables amounting to \$224,822 (2015: \$227,977) and trade payables amounting to \$62,231 (2015: \$40,368) due from/to its ultimate holding company, Pidilite Industries Limited, respectively.

	<u>2016</u>	<u>2015</u>
	\$	\$
<i>Related party, Pidilite Bamco Limited</i>		
Royalty income	(7,177)	(8,396)
Purchases of raw materials	<u>524,964</u>	<u>467,432</u>

As at 31 March 2016, the Company has trade payables of \$191,292 (2015: \$178,632) and trade receivables of \$1,287 (2015: \$1,196) due to/from its related party, Pidilite Bamco Limited, respectively.

(b) *Compensation of key management personnel*

	<u>2016</u>	<u>2015</u>
	\$	\$
<i>Director</i>		
Director's remuneration and bonus	249,180	227,280
Director's CPF	14,960	13,750
Other benefits	13,200	13,200
	<u>277,340</u>	<u>254,230</u>

**4 REVENUE**

	<u>2016</u>	<u>2015</u>
	\$	\$
Sales of goods	1,246,743	1,089,582
Research and development fees	702,000	702,000
Technical consultancy fees	60,000	60,000
	<u>2,008,743</u>	<u>1,851,582</u>

**5 OTHER INCOME**

	<u>2016</u>	<u>2015</u>
	\$	\$
Royalty income	505,687	726,642
Government grants	22,091	11,443
Interest income - bank	3,474	607
Miscellaneous income	60	2,673
	<u>531,312</u>	<u>741,365</u>

**PIDILITE INNOVATION CENTRE PTE. LTD.***Company Registration No.: 200619063N***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 March 2016***6 PURCHASES CONSUMED AND RELATED COSTS**

	<u>2016</u>	<u>2015</u>
	\$	\$
Purchases – Raw materials and packaging	956,987	858,224
Labour	96,178	93,738
Rental – Factory	81,698	79,235
Other related costs	23,608	25,454
Depreciation of plant and equipment	5,592	19,372
	<u>1,164,063</u>	<u>1,076,023</u>

**7 EMPLOYEE BENEFITS EXPENSE**

	<u>2016</u>	<u>2015</u>
	\$	\$
Staff salaries and bonuses (including director)	634,768	604,070
Central Provident Fund contribution (including director)	85,772	80,798
Employee benefits (including director)	56,103	59,071
	<u>776,643</u>	<u>743,939</u>

**8 FINANCE COSTS**

	<u>2016</u>	<u>2015</u>
	\$	\$
Interest on finance lease	<u>1,525</u>	<u>1,525</u>

**9 OTHER EXPENSES**

	<u>2016</u>	<u>2015</u>
	\$	\$
Rental expenses – office premises	164,567	138,165
Legal and professional fees	16,433	19,205
Office expenses	30,201	16,132
License and permits	17,895	17,725
Utilities	11,041	11,646
Foreign exchange loss	2,192	5,484
Impairment of trade receivables – outside parties	374	4,296
Travelling expenses	8,631	1,559
Miscellaneous	79,342	88,541
	<u>330,676</u>	<u>302,753</u>

**PIDILITE INNOVATION CENTRE PTE. LTD.**

Company Registration No.: 200619063N

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 March 2016

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

Tax expense attributable to profits is made up of:

	<u>2016</u>	<u>2015</u>
	\$	\$
Current income tax provision	-	-
Foreign tax paid on royalty	50,928	73,084
	<u>50,928</u>	<u>73,084</u>

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Profit before taxation	<u>235,803</u>	<u>460,014</u>
Tax calculated at a tax rate of 17%	40,087	78,202
Expenses not deductible for tax purposes	1,361	1,872
Income not taxable	(2,093)	(1,946)
Utilisation of tax losses and capital allowances	<u>(39,355)</u>	<u>(78,128)</u>
	-	-
Foreign tax paid on royalty	<u>50,928</u>	<u>73,084</u>
	<u>50,928</u>	<u>73,084</u>

As at the end of the reporting period, the Company has no unutilised tax losses and capital allowances (2015: \$124,700) which can, subject to the provision of Section 37 and Section 23 of the Income Tax Act, be carried forward for set-off against future taxable profits.

*(b) Movements in tax liability*

	<u>2016</u>	<u>2015</u>
	\$	\$
Balance at beginning of financial year	-	-
Tax paid	(50,928)	(73,084)
<i>Tax expense on profit:</i>		
- Current financial year	-	-
- Foreign tax paid on royalty	<u>(50,928)</u>	<u>73,084</u>
Balance at end of financial year	<u>-</u>	<u>-</u>

**PIDILITE INNOVATION CENTRE PTE. LTD.***Company Registration No.: 200619063N***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 March 2016***11 CASH AND BANK BALANCES**

	<u>2016</u>	<u>2015</u>
	\$	\$
Fixed deposit	500,000	350,000
Cash at bank	189,261	359,793
Cash in hand	13	190
	<u>689,274</u>	<u>709,983</u>

Cash at bank is held in non-interest bearing accounts.

The fixed deposit will mature 5 months from the financial year end and earns an interest of 1.25% (2015: 0.42%) per annum.

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

Cash and bank balances are denominated in the following currencies:

	<u>2016</u>	<u>2015</u>
	\$	\$
Singapore Dollar	684,338	708,994
United States Dollar	4,936	989
	<u>689,274</u>	<u>709,983</u>

**12 TRADE AND OTHER RECEIVABLES**

	<u>2016</u>	<u>2015</u>
	\$	\$
<u>Trade receivables</u>		
Outside parties	537,019	221,567
Related parties (Note 3)	226,109	229,173
	<u>763,128</u>	<u>450,740</u>
Less: Allowance for impairment losses – outside parties	(8,016)	(7,642)
	<u>755,112</u>	<u>443,098</u>
<u>Other Receivables</u>		
Deposits	52,811	52,482
Prepayments	7,221	10,570
GST receivable	1,035	6,411
Interest receivable	783	288
	<u>61,850</u>	<u>69,751</u>
	<u>816,962</u>	<u>512,849</u>

**PIDILITE INNOVATION CENTRE PTE. LTD.**

Company Registration No.: 200619063N

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 March 2016

**12 TRADE AND OTHER RECEIVABLES (Continued)**

	<u>2016</u>	<u>2015</u>
	\$	\$
Total trade and other receivables (excluding prepayments and GST receivable)	808,706	495,868
Add: Cash and bank balances (Note 11)	689,274	709,983
Total loans and receivables	<u>1,497,980</u>	<u>1,205,851</u>

***Trade receivables***

Trade receivables, including amounts due from related parties are recognised at their original invoiced amounts which represent their fair values on initial recognition. Trade receivables are non-interest bearing and are settled as per terms mutually agreed between the parties which are generally 30 – 60 days term. Trade receivables are considered to be of short duration and are not discounted and the carrying values approximate its fair value.

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

***Receivables that are past due but not impaired***

The Company has trade receivables amounting to \$65,503 (2015: \$42,525) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
<b><i>Trade receivables that are past due</i></b>		
Lesser than 30 days	49,360	33,687
31 to 60 days	7,752	-
More than 180 days	8,391	8,838
	<u>65,503</u>	<u>42,525</u>

***Receivables that are impaired***

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Trade receivables – Nominal amounts	8,016	7,642
Less: Allowance for impairment losses	<u>(8,016)</u>	<u>(7,642)</u>
	<u>-</u>	<u>-</u>

**PIDILITE INNOVATION CENTRE PTE. LTD.**

Company Registration No.: 200619063N

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 March 2016

**12 TRADE AND OTHER RECEIVABLES (Continued)***Receivables that are impaired (Continued)*

	<u>2016</u>	<u>2015</u>
	S	S
<i>Movement in allowance accounts</i>		
Balance at beginning of financial year	7,642	3,346
Charge for the financial year	374	4,296
Balance at end of financial year	<u>8,016</u>	<u>7,642</u>

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

Trade and other receivables are denominated in Singapore Dollar.

**13 INVENTORIES***(a) Statement of financial position*

	<u>2016</u>	<u>2015</u>
	S	S
Raw materials	172,985	184,933
Finished goods	68,933	72,776
Finished goods in-transit	40,221	51,021
Packaging materials	6,739	4,458
	<u>288,878</u>	<u>313,188</u>
Less: Allowance for stock obsolescence	<u>(30,803)</u>	<u>(85,375)</u>
	<u>258,075</u>	<u>227,813</u>

*(b) Analysis of allowance for stock obsolescence*

	<u>2016</u>	<u>2015</u>
	S	S
Balance at beginning of financial year	85,375	103,779
Addition during the year	4,812	-
Reversal	(4,186)	(9,949)
Written off	<u>(55,198)</u>	<u>(8,455)</u>
Balance at end of financial year	<u>30,803</u>	<u>85,375</u>

*(c) Statement of comprehensive income*

Inventories amounting to \$956,987 (2015: \$858,224) were recognised as an expense in purchase consumed and related cost and changes in inventories of finished goods in the statement of comprehensive income.

**PIDILITE INNOVATION CENTRE PTE. LTD.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 March 2016

**14 PLANT AND EQUIPMENT**

	At 31 March 2015			At 31 March 2016			At 31 March 2015			At 31 March 2016			Net carrying amount		
	\$	Cost		\$	Disposals		\$	Accumulated depreciation		\$	Disposals		\$	At 31 March 2015	At 31 March 2016
		Additions	Disposals		Additions	Disposals		Additions	Disposals						
Laboratory equipment	584,260	3,658	-	587,918	-	-	568,692	4,451	-	573,143	-	-	14,775	3,419	
Computers	22,821	1,379	-	24,200	-	-	15,667	5,114	-	20,781	-	-	3,419	312	
Furniture & fixtures	40,576	-	-	40,576	-	-	40,170	94	-	40,264	-	-	12,157	5,889	
Manufacturing equipment	66,425	-	-	66,425	-	-	48,676	5,592	-	54,268	-	-	-	-	
Office equipment	31,714	-	-	31,714	-	-	23,042	2,783	-	25,825	-	-	-	-	
Motor vehicle	63,888	-	-	63,888	-	-	63,888	-	-	63,888	-	-	8,585	-	
Renovation	378,219	-	-	378,219	-	-	365,374	4,260	-	369,634	-	-	-	-	
<b>Total</b>	<b>1,187,903</b>	<b>5,037</b>	<b>-</b>	<b>1,192,940</b>	<b>-</b>	<b>-</b>	<b>1,125,509</b>	<b>22,294</b>	<b>-</b>	<b>1,147,803</b>	<b>-</b>	<b>-</b>	<b>45,137</b>	<b>45,137</b>	

	At 31 March 2014			At 31 March 2015			At 31 March 2014			At 31 March 2015			Net carrying amount		
	\$	Cost		\$	Disposals		\$	Accumulated depreciation		\$	Disposals		\$	At 31 March 2014	At 31 March 2015
		Additions	Disposals		Additions	Disposals		Additions	Disposals						
Laboratory equipment	574,568	9,692	-	584,260	-	-	556,542	12,150	-	568,692	-	-	15,568	7,154	
Computers	23,716	-	(895)	22,821	(895)	-	10,729	5,833	(895)	15,667	-	-	406	17,749	
Furniture & fixtures	40,107	469	-	40,576	-	-	40,107	63	-	40,170	-	-	8,672	-	
Manufacturing equipment	66,194	231	-	66,425	-	-	42,081	6,595	-	48,676	-	-	-	-	
Office equipment	31,714	-	-	31,714	-	-	20,043	2,999	-	23,042	-	-	-	-	
Motor vehicle	63,888	-	-	63,888	-	-	51,111	12,777	-	63,888	-	-	12,845	-	
Renovation	378,219	-	-	378,219	-	-	361,114	4,260	-	365,374	-	-	-	-	
<b>Total</b>	<b>1,178,406</b>	<b>10,392</b>	<b>(895)</b>	<b>1,187,903</b>	<b>(895)</b>	<b>-</b>	<b>1,081,727</b>	<b>44,677</b>	<b>(895)</b>	<b>1,125,509</b>	<b>(895)</b>	<b>-</b>	<b>62,394</b>	<b>62,394</b>	

Of the depreciation charge for the year of \$22,294 (2015: \$44,677) depreciation amounting to \$5,592 (2015: \$19,372) is included in purchases consumed and related costs. The carrying amount of plant and equipment held under finance leases at the end of the reporting period is NIL (2015: NIL). Leased assets are pledged as security for the related finance lease liabilities (Note 16).



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**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 March 2016

**15 TRADE AND OTHER PAYABLES**

	<u>2016</u>	<u>2015</u>
	\$	\$
<u>Trade payables</u>		
Related parties (Note 3)	253,523	219,000
Outside parties	101,475	35,390
	<u>354,998</u>	<u>254,390</u>
<u>Other payables</u>		
Accrued operating expenses	101,354	83,133
	<u>101,354</u>	<u>83,133</u>
	<u>456,352</u>	<u>337,523</u>
Total trade and other payables	456,352	337,523
Add: Finance lease liabilities (Note 16)	7,230	14,525
Total financial liabilities carried at amortised cost	<u>463,582</u>	<u>352,048</u>

***Trade payables***

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

Trade and other payables are denominated in Singapore Dollar.

**16 FINANCE LEASE LIABILITIES**

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

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Within one financial year	8,754	8,820
Within two to five financial years	-	8,754
Total minimum lease payments	8,754	17,574
Finance charges allocated to future periods	(1,524)	(3,049)
Present value of minimum lease payment	7,230	14,525
Present value within one financial year	(7,230)	(7,295)
Present value after one financial year	<u>-</u>	<u>7,230</u>

**PIDILITE INNOVATION CENTRE PTE. LTD.**

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**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 March 2016

**16 FINANCE LEASE LIABILITIES (Continued)**

The finance lease bears interest at an average rate of 2.99% (2015: 2.99%) per annum. The Company's obligation under finance lease is secured by the lessor's title to the motor vehicle (Note 14).

The finance lease liabilities are denominated in Singapore Dollar.

**17 SHARE CAPITAL**

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

	2016		2015	
	No. of shares	\$	No. of shares	\$
Balance at beginning and end of financial year	<u>653,341</u>	<u>995,155</u>	<u>653,341</u>	<u>995,155</u>

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

**18 OPERATING LEASE COMMITMENTS**

The Company had entered into a non-cancellable operating lease on its office premises and factory. There are no restrictions placed upon the Company by entering into the lease. The leases have varying terms and renewal rights. Rental payments under operating lease payments recognised in profit or loss during the financial year amounted to \$246,265 (2015: \$217,400).

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

	2016	2015
	\$	\$
Within one financial year	244,063	233,110
Within two to five financial years	81,355	219,422
	<u>325,418</u>	<u>452,532</u>

**19 FINANCIAL INSTRUMENTS****(a) Financial risk management objectives and policies**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 March 2016

**19 FINANCIAL INSTRUMENTS (Continued)**

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

***Credit risk***

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

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Company's exposure to credit risk arises primarily from trade and other receivables and intercompany balances. For other financial assets that is cash and bank balances, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

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

***Exposure to credit risk***

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

***Credit risk concentration profile***

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

	2016		2015	
	\$	%	\$	%
<b>By geographical areas</b>				
Singapore	529,003	69	213,925	48
India	224,822	30	227,977	51
Thailand	1,287	1	1,196	1
	<u>755,112</u>	<u>100</u>	<u>443,098</u>	<u>100</u>
<b>By types of customers</b>				
Non-related parties	529,003	70	213,925	48
Related parties	226,109	30	229,173	52
	<u>755,112</u>	<u>100</u>	<u>443,098</u>	<u>100</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 March 2016

**19 FINANCIAL INSTRUMENTS (Continued)**

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

*Credit risk (Continued)*

*Financial assets that are neither past due nor impaired*

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

*Financial assets that are either past due or impaired*

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

*Foreign currency risk*

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

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

*Sensitivity analysis for foreign currency risk*

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

		2016		2015	
		Profit net of tax \$	Equity \$	Profit net of tax \$	Equity \$
USD	- strengthened 3% (2015: 3%)	123	123	25	25
	- weakened 3% (2015: 3%)	(123)	(123)	(25)	(25)

*Interest rate risk*

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 March 2016

**19 FINANCIAL INSTRUMENTS (Continued)**

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

**Interest rate risk (Continued)**

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

Sensitivity analysis for interest rate risk

As at the end of the reporting period, if the interest rate had been 100 basis points lower/higher with all other variables held constant, the Company's profits net of tax would have been NIL (2015: \$60) higher/lower arising mainly as a result of a lower/higher interest expense on finance lease agreements.

**Liquidity risk**

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

Liquidity risk for the Company is minimal as the Company is able to meet its funding requirements through its operations.

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

	1 year or less \$	2 to 5 years \$	Total \$
<b>2016</b>			
Trade and other payables	456,352	-	456,352
Finance lease liabilities	7,230	-	7,230
	463,582	-	463,582
<b>2015</b>			
Trade and other payables	337,523	-	337,523
Finance lease liabilities	7,295	7,230	14,525
	344,818	7,230	352,048

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

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

**PIDILITE INNOVATION CENTRE PTE. LTD.**

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**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 March 2016

**20 FINANCIAL INSTRUMENTS (Continued)**

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

*Finance lease liabilities*

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

During the financial year, no amount (2015: NIL) has been recognised in profit or loss in relation to the change in fair value of financial assets or financial liabilities, estimated using a valuation technique.

The Company has no (2015: NIL) fair value measurement hierarchy recognised in the statement of financial position as at the end of the reporting period.

**21 CAPITAL MANAGEMENT**

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

Net cash resources of the Company are as follows:

	<u>2016</u>	<u>2015</u>
	S	S
Cash and bank balances (Note 11)	689,274	709,983
Trade and other receivables – excluding prepayments and GST receivable (Note 12)	808,706	495,868
Inventories (Note 13)	258,075	227,813
Less: Trade and other payables (Note 15)	(456,352)	(337,523)
Finance lease liabilities – current portion (Note 16)	(7,230)	(7,295)
Net cash resources	<u>1,292,473</u>	<u>1,088,846</u>

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

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