# PIDILITE INNOVATION CENTRE PTE. LTD.

*Company Registration Number: 200619063N*

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2018

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The directors present their statement to the member of Pidilite Innovation Centre Pte. Ltd. (the "Company") together with the audited financial statements of the Company for the financial year ended 31 March 2018.

## 1 OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2018 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2 DIRECTORS

The directors of the Company at the date of this statement are:

Ajay Balvantray Parekh
Bharat Puri
Dien Pandiman
Gowri Saminathan Mrs. Gowri Wade

## 3 ARRANGEMENTS TO ENABLE THE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in paragraph 4 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or any of the objects was, to enable the director of the Company to acquire benefits by means of the acquisition of shares in, debentures of, the Company or any other body corporate.

## 4 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50, the directors holding office at the end of the financial year had no interest in the shares or debentures of the Company or any related corporation, except as follows:

| | At the beginning of financial year | At the end of financial year |
|---|---|---|
| | Ordinary shares | |
| *The ultimate holding company, Pidilite Industries Limited* | | |
| Ajay Balvantray Parekh | 47,922,844 | 47,433,489 |

By virtue of Section 7 of the Companies Act, Ajay Balvantray Parekh is deemed to have an interest in the Company at the end of the financial year.

## 5 SHARE OPTIONS

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

## 6 AUDITOR

The auditor, Helmi Talib & Co has expressed its willingness to accept re-appointment as auditor.

On behalf of the directors

**AJAY BALVANTRAY PAREKH**
Director

**DIEN PANDIMAN**
Director

Date: 3 May 2018

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 Audit of the Financial Statements*

*Opinion*

We have audited the financial statements of Pidilite Innovation Centre Pte. Ltd. (the "Company"), which comprise the statement of financial position of the Company as at 31 March 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 March 2018 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

*Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Information*

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 1 to 2.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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*Responsibilities of Management and Directors for 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 Act and FRSs, 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

The directors' responsibilities include overseeing the Company's financial reporting process.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

*Auditor's Responsibilities for the Audit of the Financial Statements* (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***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: 3 May 2018

Partner-in-charge : Mari Jane Tiburcio
PAB No. : 01780

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
*For the financial year ended 31 March 2018*

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Revenue** | 5 | 2,260,766 | 2,487,887 |
| **Other income** | 6 | 486,107 | 406,339 |
| **Expenses** | | | |
| Changes in inventories of finished goods | | (62,226) | 96,380 |
| Purchases consumed and related costs | 7 | (1,433,658) | (1,741,060) |
| Employee benefits expense | 8 | (920,413) | (880,986) |
| Depreciation of plant and equipment | | (22,801) | (24,061) |
| Finance costs | 9 | (309) | (1,693) |
| Other expenses | 10 | (330,806) | (355,769) |
| **Loss before income tax** | | (23,340) | (12,963) |
| Income tax expense | 11 (a) | (46,702) | (37,516) |
| **Loss for the financial year, representing total comprehensive loss for the financial year** | | (70,042) | (50,479) |

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**
*As at 31 March 2018*

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 12 | 219,399 | 338,146 |
| Fixed deposit | 13 | 500,000 | 500,000 |
| Trade and other receivables | 14 | 683,847 | 639,643 |
| Inventories | 15 (a) | 301,217 | 270,552 |
| **Total current assets** | | 1,704,463 | 1,748,341 |
| **Non-current asset** | | | |
| Plant and equipment | 16 | 90,810 | 109,955 |
| **Total non-current asset** | | 90,810 | 109,955 |
| **Total assets** | | 1,795,273 | 1,858,296 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 564,554 | 553,902 |
| Finance lease liabilities | 18 | 3,632 | 3,632 |
| Income tax payable | 11 (c) | - | - |
| **Total current liabilities** | | 568,186 | 557,534 |
| **Non-current liabilities** | | | |
| Finance lease liabilities | 18 | 1,742 | 5,375 |
| **Total non-current liabilities** | | 1,742 | 5,375 |
| **Total liabilities** | | 569,928 | 562,909 |
| **Equity** | | | |
| Share capital | 19 | 995,155 | 995,155 |
| Retained earnings | | 230,190 | 300,232 |
| **Total equity** | | 1,225,345 | 1,295,387 |
| **Total liabilities and equity** | | 1,795,273 | 1,858,296 |

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
*For the financial year ended 31 March 2018*

**2018**

| | Share capital $ | Retained earnings $ | Total $ |
|---|---|---|---|
| **Equity** | | | |
| At the beginning of financial year | 995,155 | 300,232 | 1,295,387 |
| **Comprehensive loss** | | | |
| Total comprehensive loss for the financial year | - | (70,042) | (70,042) |
| At the end of financial year | 995,155 | 230,190 | 1,225,345 |

**2017**

| | Share capital $ | Retained earnings $ | Total $ |
|---|---|---|---|
| **Equity** | | | |
| At the beginning of financial year | 995,155 | 350,711 | 1,345,866 |
| **Comprehensive loss** | | | |
| Total comprehensive loss for the financial year | - | (50,479) | (50,479) |
| At the end of financial year | 995,155 | 300,232 | 1,295,387 |

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

**STATEMENT OF CASH FLOWS**
*For the financial year ended 31 March 2018*

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before income tax | | (23,340) | (12,963) |
| **Adjustments for:** | | | |
| Depreciation of plant and equipment | 16 | 33,617 | 30,262 |
| Gain on disposal of plant and equipment | | - | (3,920) |
| Impairment of trade receivables | | - | 375 |
| Impairment of inventories | | 1,725 | 906 |
| Reversal of impairment of inventories | | (3,608) | (2,423) |
| Interest income | | (5,885) | (5,999) |
| Interest expense | | 309 | 1,693 |
| Unrealised foreign exchange gain | | 75 | (4) |
| Total adjustments to profit account | | 26,233 | 20,890 |
| Total operating cash flows before changes in working capital | | 2,893 | 7,927 |
| **Changes in working capital:** | | | |
| (Increase)/decrease in trade and other receivables | | (44,204) | 176,944 |
| Increase in inventories | | (28,782) | (10,960) |
| Increase in trade and other payables | | 10,652 | 97,550 |
| Total changes in working capital | | (62,334) | 263,534 |
| Cash (used in)/generated from operations | | (59,441) | 271,461 |
| Interest received | | 5,885 | 5,999 |
| Interest paid | | (309) | (1,693) |
| Income tax paid | | (46,702) | (37,516) |
| Net cash flows (used in)/from operating activities | | (100,567) | 238,251 |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment (See note below) | | (18,105) | (93,303) |
| Proceeds from disposal of plant and equipment | | - | 3,920 |
| Net cash flows used in investing activities | | (18,105) | (89,383) |
| Net (decrease)/increase in cash and cash equivalents before effect of exchange rate changes | | (118,672) | 148,868 |
| Effect of exchange rate changes in balance of cash held in foreign currency | | (75) | 4 |
| Net (decrease)/increase in cash and cash equivalents | | (118,747) | 148,872 |
| Cash and cash equivalents at the beginning of financial year | | 338,146 | 189,274 |
| Cash and cash equivalents at the end of financial year | 12 | 219,399 | 338,146 |

## STATEMENT OF CASH FLOWS
*For the financial year ended 31 March 2018*

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Net cash flows** | | |
| Net cash flows (used in)/from operating activities | (100,567) | 238,251 |
| Net cash flows used in investing activities | (18,105) | (89,383) |
| **Note:** | | |
| Reconciliation of additions per movement in plant and equipment and statement of cash flows: | | |
| Addition in plant and equipment (Note 16) | 14,472 | 95,080 |
| Less: Office equipment acquired under finance lease | - | (11,434) |
| | 14,472 | 83,646 |
| Add: Repayment of finance lease liabilities | 3,633 | 9,657 |
| Purchase of plant and equipment per statement of cash flows | 18,105 | 93,303 |

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

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

## 1 CORPORATE INFORMATION

Pidilite Innovation Centre Pte. Ltd. (the "Company") is domiciled and incorporated in Singapore on 20 December 2006 with its registered office at 61 Science Park Road, #03-11/12, The Galen, Singapore 117525.

The financial statements of the Company for the financial year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors as at date of the Directors' Statement.

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.

The Company's immediate and ultimate holding companies are Pidilite International Pte. Ltd. and Pidilite Industries Limited, companies incorporated in Singapore and India, respectively.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements of the Company have been drawn up in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar ("SGD" or "$") which is the Company's functional currency.

### 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 2017. The adoption of these standards did not have any effect on the financial performance or position of the Company.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are issued but effective for annual periods beginning after 1 April 2018, and have not been applied in preparing these financial statements. The Company does not plan to early adopt these standards.

The following standards that have been issued but not yet effective are as follows:

| | ***Description*** | ***Effective date for annual periods beginning on or after*** |
|---|---|---|
| FRS 109 | Financial Instruments | 1 January 2018 |
| FRS 115 | Revenue from Contracts with Customers | 1 January 2018 |
| FRS 116 | Leases | 1 January 2019 |
| INT FRS 122 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| INT FRS 123 | Uncertainty over Income Tax Treatments | 1 January 2019 |

As the Company's financial period begins on 1 April 2017, these are not required to be adopted for the financial year ended 31 March 2018.

Except for FRS 115, 109 and 116, 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, 109 and 116 is 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 Company has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Company adopts FRS 115 in 2018.

The Company is in a business of providing research and development on chemicals. The Company does not expect any significant impact on the financial statements upon adoption of FRS 115.

**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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**FRS 109 *Financial Instruments*** (Continued)

The Company plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Company has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Company adopts FRS 109 in 2018.

*Impairment*

FRS 109 requires the Company to record expected credit losses on all of its loans and receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all loans and receivables. Upon application of the expected credit loss model, the Company does not expect any significant impact on the loss allowance due to unsecured nature of its loans and receivables.

**FRS 116 *Leases***

FRS 116 requires lessees to recognise most leases on the statement of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees - leases of 'low value' assets and short-term leases which do not contain any purchase options. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Company is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Company expects the adoption of the new standard to result in an increase in total assets and total liabilities, earnings before interest, taxes, depreciation and amortisation and gearing ratio.

### 2.4 Foreign currency transactions and balances

Transactions in a foreign currency are measured in the 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 foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 measured.

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, fixed deposit and cash on hand and are subject to an insignificant risk of changes in value.

### 2.6 Financial instruments

*(a) Financial assets*

Initial recognition and measurement

Financial assets 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

*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 measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables comprise cash and cash equivalents, fixed deposit and trade and other receivables, excluding prepayments and GST receivable.

De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition 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 has been recognised in other comprehensive income is recognised in profit or loss.

*(b) Financial liabilities*

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.

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.

**2 SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.6 Financial instruments (Continued)

*(b) Financial liabilities* (Continued)

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 derecognised, and through the amortisation process.

Such financial liabilities comprise trade and other payables and finance lease liabilities.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged, 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.

2.7 Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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.

### 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 if 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. When 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.

### 2.9 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price 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 management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

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

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 lives and depreciation method are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

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.

All 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 Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 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.

### 2.12 Share capital

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

### 2.13 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 regardless of when the payment is made. Revenue is measured at the fair values of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. 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 using the effective interest method.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Operating leases as lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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.

### 2.15 Employee benefits

*(a) Defined contribution plan*

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

*(b) Employee leave entitlement*

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

### 2.16 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.

### 2.17 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 authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that tax relating to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

*(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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Taxes (Continued)

*(b) Deferred tax* (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 each reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*(c) Goods and services tax ("GST")*

Revenues, expenses and assets are recognised net of the amount of 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 tax 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 tax included.

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

2.18 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;

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Related party (Continued)

A related party is defined as follows: (Continued)

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

(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);
(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company.

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

The management is of the opinion that there are no significant judgments made in applying accounting estimates and policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

3.2 Key sources of estimation uncertainty (Continued)

*(a) Useful lives of plant and equipment*

The useful life of an item of plant and equipment is estimated at the time the asset is acquired and is based on historical experience with similar assets and takes into account anticipated technological or other changes. If changes occur more rapidly than anticipated or the asset experiences unexpected level of wear and tear, the useful life will be adjusted accordingly. The carrying amount of the Company's plant and equipment as at 31 March 2018 was $90,810 (2017: $109,955).

*(b) Inventory valuation method*

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines. The realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available and inherently involves estimates regarding the future expected realisable value. The carrying amount of the Company's inventories as at 31 March 2018 was $301,217 (2017: $270,552).

## 4 RELATED PARTY TRANSACTIONS

Apart from the disclosures made elsewhere in the financial statements, the following significant transactions between the Company and related parties took place during the financial year at terms agreed between the parties.

*(a) Related party transactions*

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| *Ultimate holding company, Pidilite Industries Limited* | | |
| Research and development fees | (702,000) | (702,000) |
| Royalty income | (445,378) | (365,975) |
| Technical consultancy fees | (60,000) | (60,000) |
| Reimbursement of expenses | 223,133 | 320,410 |
| Purchases of raw materials | 145,575 | 64,444 |
| *Immediate holding company, Pidilite International Pte. Ltd.* | | |
| Reimbursement of expenses | 1,781 | 604 |
| *Related company, Pidilite Bamco Limited* | | |
| Royalty income | (8,143) | (6,123) |
| Purchases of raw materials | 667,792 | 987,848 |
| Reimbursement of expenses | 2,975 | - |

## 4 RELATED PARTY TRANSACTIONS (Continued)

*(b) Compensation of key management personnel*

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| *Director* | | |
| Director's remuneration and bonus | 292,350 | 256,985 |
| Director's CPF | 17,498 | 20,803 |
| Other benefits | 13,200 | 13,200 |
| | 323,048 | 290,988 |

## 5 REVENUE

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Sale of goods | 1,498,766 | 1,725,887 |
| Research and development fees | 702,000 | 702,000 |
| Technical consultancy fees | 60,000 | 60,000 |
| | 2,260,766 | 2,487,887 |

## 6 OTHER INCOME

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Royalty income | 453,521 | 372,098 |
| Government grants | 21,014 | 23,644 |
| Interest income - bank | 5,885 | 5,999 |
| Gain on disposal of plant and equipment | - | 3,920 |
| Miscellaneous income | 5,687 | 678 |
| | 486,107 | 406,339 |

## 7 PURCHASES CONSUMED AND RELATED COSTS

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Purchases - Raw materials and packaging | 1,195,678 | 1,488,083 |
| Labour costs | 127,751 | 130,667 |
| Rental - factory | 80,979 | 87,239 |
| Depreciation of plant and equipment | 10,816 | 6,202 |
| Other related costs | 18,434 | 28,869 |
| | 1,433,658 | 1,741,060 |

## 8 EMPLOYEE BENEFITS EXPENSE

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Salaries and bonuses (including director) | 758,382 | 708,092 |
| Employer's contribution to CPF (including director) | 102,625 | 108,721 |
| Other benefits (including director) | 59,406 | 64,173 |
| | 920,413 | 880,986 |

## 9 FINANCE COSTS

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Interest on finance lease | 309 | 1,693 |

## 10 OTHER EXPENSES

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Rental expenses - office premises | 150,476 | 164,567 |
| Office expenses | 26,375 | 24,171 |
| Legal and professional fees | 21,044 | 9,107 |
| Travelling expenses | 18,261 | 13,564 |
| License and permits | 14,179 | 15,717 |
| Utilities | 12,930 | 15,111 |
| Auditor's remuneration | 9,000 | 9,000 |
| Foreign exchange gain | (3,799) | (394) |
| Impairment of trade receivables - third parties | - | 375 |
| Miscellaneous | 82,340 | 104,551 |
| | 330,806 | 355,769 |

## 11 INCOME TAX EXPENSE

(a) *Major components of income tax expense*

The major components of income tax expense for the financial years ended 31 March 2018 and 2017 are:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Current income tax** | | |
| - Under-provision in prior year | 1,596 | - |
| Foreign tax paid on royalty | 45,106 | 37,516 |
| Income tax expense recognised in profit or loss | 46,702 | 37,516 |

## 11 INCOME TAX EXPENSE (Continued)

(b) *Relationship between income tax expense and accounting loss:*

A relationship between income tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 March 2018 and 2017 is as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Loss before income tax | (23,340) | (12,963) |
| Tax calculated at a tax rate of 17% | (3,968) | (2,204) |
| Expenses not deductible for tax purposes | 1,217 | 1,352 |
| Income not taxable | (159) | (721) |
| Deferred tax assets not recognised | 2,910 | 1,573 |
| Under-provision in prior year | 1,596 | - |
| | 1,596 | - |
| Foreign tax paid on royalty | 45,106 | 37,516 |
| Income tax expense recognised in profit or loss | 46,702 | 37,516 |

(c) *Movements in income tax payable*

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| At the beginning of financial year | - | - |
| Income tax paid | (46,702) | (37,516) |
| *Income tax expense on profit:* | | |
| - Foreign tax paid on royalty | 45,106 | 37,516 |
| - Under-provision in prior year | 1,596 | - |
| At the end of financial year | - | - |

## 12 CASH AND CASH EQUIVALENTS

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Cash at bank | 219,299 | 338,133 |
| Cash in hand | 100 | 13 |
| | 219,399 | 338,146 |

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

Cash and cash equivalents are denominated in the following currencies:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| SGD | 217,798 | 338,027 |
| United States Dollar ("USD") | 1,601 | 119 |
| | 219,399 | 338,146 |

## 13 FIXED DEPOSIT

Fixed deposit earns interest at a rate of 1.18% (2017: 1.17%) per annum with maturity on 15 August 2018 (2017: 15 August 2017).

Fixed deposit is denominated in SGD.

## 14 TRADE AND OTHER RECEIVABLES

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Trade receivables | | |
| - Third parties | 489,174 | 429,500 |
| - Ultimate holding company | | |
| - Pidilite Industries Limited | 103,356 | 129,138 |
| - Immediate holding company | | |
| - Pidilite International Pte. Ltd. | 1,781 | - |
| - Related company | | |
| - Pidilite Bamco Limited | 3,767 | (1,971) |
| | 598,078 | 556,667 |
| Less: Allowance for impairment losses – third parties | (937) | (8,391) |
| | 597,141 | 548,276 |
| Other receivables | | |
| - Deposits | 61,968 | 65,802 |
| - Prepayments | 15,252 | 14,609 |
| - GST receivable | 8,135 | 5,864 |
| - Interest receivable | 727 | 717 |
| - Advances to employees | 624 | 4,375 |
| | 86,706 | 91,367 |
| | 683,847 | 639,643 |
| Total trade and other receivables (excluding prepayments and GST receivable) | 660,460 | 619,170 |
| Add: Cash and cash equivalents (Note 12) | 219,399 | 338,146 |
| Fixed deposit (Note 13) | 500,000 | 500,000 |
| Total loans and receivables | 1,379,859 | 1,457,316 |

### *Trade receivables*

Trade receivables, including amounts due from related companies 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.

## 14 TRADE AND OTHER RECEIVABLES (Continued)

*Receivables that are past due but not impaired*

The Company has trade receivables amounting to $151,063 (2017: $90,336) 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:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| *Trade receivables that are past due:* | | |
| Less than 30 days | 58,358 | 81,945 |
| 31 to 60 days | 79,884 | - |
| 61 to 90 days | 4,149 | - |
| More than 180 days | 8,672 | 8,391 |
| | 151,063 | 90,336 |

*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:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Trade receivables – Nominal amounts | 937 | 8,391 |
| Less: Allowance for impairment losses | (937) | (8,391) |
| | - | - |
| *Movement in allowance account* | | |
| At the beginning of financial year | 8,391 | 8,016 |
| Write-off against trade receivable during the financial year | (7,454) | - |
| Charge for the financial year | - | 375 |
| At the end of financial year | 937 | 8,391 |

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 SGD.

## 15 INVENTORIES

(a) *Statement of financial position*

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Raw materials | 170,244 | 88,707 |
| Finished goods | 101,510 | 111,378 |
| Finished goods in-transit | 41,798 | 94,156 |
| Packaging materials | 7,864 | 5,597 |
| | 321,416 | 299,838 |
| Less: Allowance for stock obsolescence | (20,199) | (29,286) |
| | 301,217 | 270,552 |

(b) *Analysis of allowance for stock obsolescence*

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| At the beginning of the financial year | 29,286 | 30,803 |
| Addition during the year | 1,725 | 906 |
| Reversal | (3,608) | (2,423) |
| Write-off | (7,204) | - |
| At the end of the financial year | 20,199 | 29,286 |

(c) *Statement of profit or loss and other comprehensive income*

Inventories amounting to $1,195,678 (2017: $1,488,083) were recognised as an expense in purchase consumed and related cost and changes in inventories of finished goods in the statement of profit or loss and other comprehensive income.

## 16 PLANT AND EQUIPMENT

| | Cost | | | | Accumulated depreciation | | | | Net carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | At the beginning of financial year | Additions | Write-off | At the end of the financial year | At the beginning of financial year | Additions | Write-off | At the end of the financial year | At 31 March 2018 |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Laboratory equipment | 616,081 | 13,175 | - | 629,256 | 581,337 | 9,364 | - | 590,701 | 38,555 |
| Computers | 38,416 | - | (4,008) | 34,408 | 25,636 | 5,198 | (4,008) | 26,826 | 7,582 |
| Furniture and fixtures | 40,576 | - | - | 40,576 | 40,357 | 94 | - | 40,451 | 125 |
| Manufacturing equipment | 88,362 | - | - | 88,362 | 54,726 | 10,816 | - | 65,542 | 22,820 |
| Office equipment | 31,714 | 1,297 | - | 33,011 | 28,395 | 2,455 | - | 30,850 | 2,161 |
| Motor vehicle | 63,888 | - | - | 63,888 | 63,888 | - | - | 63,888 | - |
| Renovation | 385,489 | - | - | 385,489 | 360,232 | 5,690 | - | 365,922 | 19,567 |
| **Total** | 1,264,526 | 14,472 | (4,008) | 1,274,990 | 1,154,571 | 33,617 | (4,008) | 1,184,180 | 90,810 |

| | Cost | | | | Accumulated depreciation | | | | Net carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | At the beginning of financial year | Additions | Write-off | At the end of the financial year | At the beginning of financial year | Additions | Write-off | At the end of the financial year | At 31 March 2017 |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Laboratory equipment | 587,918 | 28,163 | - | 616,081 | 573,143 | 8,194 | - | 581,337 | 34,744 |
| Computers | 24,200 | 14,216 | - | 38,416 | 20,781 | 4,855 | - | 25,636 | 12,780 |
| Furniture and fixtures | 40,576 | - | - | 40,576 | 40,264 | 93 | - | 40,357 | 219 |
| Manufacturing equipment | 66,425 | 27,681 | (5,744) | 88,362 | 54,268 | 6,202 | (5,744) | 54,726 | 33,636 |
| Office equipment | 31,714 | - | - | 31,714 | 25,825 | 2,570 | - | 28,395 | 3,319 |
| Motor vehicle | 63,888 | - | - | 63,888 | 63,888 | - | - | 63,888 | - |
| Renovation | 378,219 | 25,020 | (17,750) | 385,489 | 369,634 | 8,348 | (17,750) | 360,232 | 25,257 |
| **Total** | 1,192,940 | 95,080 | (23,494) | 1,264,526 | 1,147,803 | 30,262 | (23,494) | 1,154,571 | 109,955 |

## 16 PLANT AND EQUIPMENT (Continued)

Of the depreciation charge for the financial year of $33,617 (2017: $30,262) depreciation amounting to $10,816 (2017: $6,202) is included in purchases consumed and related costs. Included within additions of plant and equipment are computers acquired under finance lease of $Nil (2017: $11,434). The carrying amount of computers held under finance leases as at 31 March 2018 are $3,256 (2017: $9,273). Leased assets are pledged as security for the related finance lease liabilities (Note 18).

## 17 TRADE AND OTHER PAYABLES

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Trade payables | | |
| - Related company | | |
| - Pidilite Bamco Limited | 273,732 | 326,040 |
| - Ultimate holding company | | |
| - Pidilite Industries Limited | 75,404 | 34,993 |
| - Third parties | 58,464 | 70,803 |
| | 407,600 | 431,836 |
| Other payables | | |
| Accrued operating expenses | 156,954 | 122,066 |
| Total trade and other payables | 564,554 | 553,902 |
| Add: Finance lease liabilities (Note 18) | 5,374 | 9,007 |
| Total financial liabilities carried at amortised cost | 569,928 | 562,909 |

***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 SGD.

## 18 FINANCE LEASE LIABILITIES

The Company leases certain computers from third 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.

## 18 FINANCE LEASE LIABILITIES (Continued)

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

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Minimum lease payments due: | | |
| - Not later than one financial year | 3,942 | 3,942 |
| - Between one and five financial years | 1,883 | 5,825 |
| | 5,825 | 9,767 |
| Less: Finance charges allocated to future periods | (451) | (760) |
| Present value of finance lease liabilities | 5,374 | 9,007 |
| Present value of finance lease liabilities not later than one financial year | (3,632) | (3,632) |
| Present value of finance lease liabilities between one and five financial years | 1,742 | 5,375 |

The finance lease bears interest at an average rate of 2.85% (2017: 2.69%) per annum. The finance lease liabilities are denominated in SGD.

## 19 SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | $ | No. of shares | $ |
| At the beginning and end of financial year | 653,341 | 995,155 | 653,341 | 995,155 |

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company. All issued ordinary shares are fully paid. There are no par values for these ordinary shares.

## 20 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 $231,455 (2017: $251,806).

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

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Not later than one financial year | 232,356 | 141,062 |
| Between one and five financial years | 272,643 | 158,045 |
| | 504,999 | 299,107 |

## 21 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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

***Credit risk***

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

*Exposure to credit risk*

The carrying amounts of cash and cash equivalents, trade and other receivables (excluding prepayments and GST receivable) and fixed deposit represent the Company's maximum exposure to credit risk. No other financial assets carry 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:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | $ | % | $ | % |
| **By geographical areas** | | | | |
| Singapore | 490,018 | 82 | 421,109 | 77 |
| India | 103,356 | 17 | 129,138 | 23 |
| Thailand | 3,767 | 1 | (1,971) | 0 |
| | 597,141 | 100 | 548,276 | 100 |
| **By types of customers** | | | | |
| Third parties | 488,237 | 82 | 421,109 | 77 |
| Related parties | 108,904 | 18 | 127,167 | 23 |
| | 597,141 | 100 | 548,276 | 100 |

## 21 FINANCIAL RISK MANAGEMENT (Continued)

***Credit risk*** (Continued)

*Financial assets that are neither past due nor impaired*

Trade and other receivables (excluding prepayments and GST receivable) that are neither past due nor impaired are creditworthy debtors with good payment record and long-term business relationship with the Company. Cash and cash equivalents and fixed deposit 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 14 to the financial statements.

***Liquidity risk***

Liquidity risk refers that the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds.

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 assets and liabilities at the reporting date based on contractual undiscounted repayments obligations.

| | 1 year or less $ | 2 to 5 years $ | Total $ |
|---|---|---|---|
| **2018** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 219,399 | - | 219,399 |
| Fixed deposit | 500,000 | - | 500,000 |
| Trade and other receivables (excluding prepayments and GST receivable) | 660,460 | - | 660,460 |
| Total undiscounted financial assets | 1,379,859 | - | 1,379,859 |
| **Financial liabilities** | | | |
| Trade and other payables | 564,554 | - | 564,554 |
| Finance lease liabilities | 3,632 | 1,742 | 5,374 |
| Total undiscounted financial liabilities | 568,186 | 1,742 | 569,928 |
| Total net undiscounted financial assets/(liabilities) | 811,673 | (1,742) | 809,931 |

## 21 FINANCIAL RISK MANAGEMENT (Continued)

***Liquidity risk*** (Continued)

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayments obligations.

| | 1 year or less $ | 2 to 5 years $ | Total $ |
|---|---|---|---|
| **2017** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 338,146 | - | 338,146 |
| Fixed deposit | 500,000 | - | 500,000 |
| Trade and other receivables (excluding prepayments and GST receivable) | 619,170 | - | 619,170 |
| Total undiscounted financial assets | 1,457,316 | - | 1,457,316 |
| **Financial liabilities** | | | |
| Trade and other payables | 553,902 | - | 553,902 |
| Finance lease liabilities | 3,632 | 5,375 | 9,007 |
| Total undiscounted financial liabilities | 557,534 | 5,375 | 562,909 |
| Total net undiscounted financial assets/(liabilities) | 899,782 | (5,375) | 894,407 |

### Market risks

***Foreign currency risk***

The Company's foreign currency exposures arise from the exchange rate movements of USD to SGD, which is the Company's functional currency. As at the end of the reporting period, foreign currency balance for cash and cash equivalents is disclosed in Note 12 to the financial statements.

There are no policies in place to mitigate the effect of this foreign currency risk exposure. The absence of a policy is due to the insignificance of the foreign currency exposure.

*Sensitivity analysis for foreign currency risk*

No sensitivity analysis is prepared as the Company does not expect any material effect on the Company's profit or equity arising from the effects of reasonably possible changes to exchange rate movements on the Company's foreign currency exposures at the end of the reporting period.

***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.

## 21 FINANCIAL RISK MANAGEMENT (Continued)

***Interest rate risk*** (Continued)

Information relating to the Company's interest rate exposure is also disclosed in Note 18 to the financial statements.

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

Sensitivity analysis for interest rate risk

No sensitivity analysis is prepared as the Company does not expect any material effect on the Company's profit or equity arising from the effects of reasonably possible changes to interest rate movements on the Company's finance lease liabilities at the end of the reporting period.

## 22 FAIR VALUES

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and cash equivalents, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

Trade receivables and trade payables

The carrying amounts of these receivables and payables (including trade balances due from/to holding companies and related company) approximate their fair values as they are subject to normal trade credit terms.

*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.

The Company has no fair value measurement recognised in the statement of financial position as at the end of the reporting period.

## 23 FINANCIAL INSTRUMENTS BY CATEGORY

At the reporting date, the aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost were disclosed in Notes 14 and 17.

## 24 CAPITAL MANAGEMENT

The Company's objective when managing capital is 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 comprised of issued share capital and retained earnings.

Net cash resources of the Company are as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Cash and cash equivalents (Note 12) | 219,399 | 338,146 |
| Fixed deposit | 500,000 | 500,000 |
| Trade and other receivables - excluding prepayments and GST receivable (Note 14) | 660,460 | 619,170 |
| Inventories (Note 15) | 301,217 | 270,552 |
| Less: Trade and other payables (Note 17) | (564,554) | (553,902) |
| Finance lease liabilities (Note 18) | (5,374) | (9,007) |
| Net cash resources | 1,111,148 | 1,164,959 |

The Company's overall strategy remains unchanged from 31 March 2017.

The Company is not subject to any externally imposed capital requirements for the financial years ended 31 March 2018 and 2017.

## 25 RECLASSIFICATION

During the financial year, a reclassification was made to the prior year's financial statements to enhance comparability with current year's presentation. Fixed deposit is reclassified from cash and cash equivalents to a separate line item in the statement of financial position in accordance to FRS 7, Statement of Cash Flows.

The items reclassified in the financial statements are as follows:

| | As reclassified<br>2017<br>$ | As previously reported<br>2017<br>$ |
|---|---|---|
| **Statement of financial position:** | | |
| Cash and cash equivalents | 338,146 | 838,146 |
| Fixed deposit | 500,000 | - |

As the above restatement did not result in any change to the net assets in the statement of financial position, management did not present the statement of financial position as at 1 April 2016.