Pidilite USA, Inc.

Financial Statements

March 31, 2019 and March 31, 2018

KNAV P.A.

Certified Public Accountants
One Lakeside Commons, Suite 850,
990 Hammond Drive NE, Atlanta, GA 30328

America Counts on CPAs

Table of Contents

PARTNERS BEYOND BOUNDARIES

Independent Auditor's Report

Board of Directors
Pidilite USA, Inc.

We have audited the accompanying financial statements of Pidilite USA, Inc. ('the Company') which comprise the balance sheets as of March 31, 2019 and March 31, 2018 and the related statements of income, stockholder's equity, and cash flows for the years then ended and the related notes to financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. Those standards require that we 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 organization's preparation and fair presentation of the financial statements 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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly in all material respects, the financial position of the Company as of March 31, 2019 and March 31, 2018 and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other matter

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary financial information for March 31, 2019 and March 31, 2018 is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplemental schedule is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KNAV P.A.

Atlanta, Georgia
April 30, 2019

KNAV P.A.
Certified Public Accountants
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Financial Statements

Balance sheets

(All amounts in United States Dollars, unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	3,895,468	3,995,441
Accounts receivable, net of allowances	3,278,193	3,766,834
Inventories	7,214,244	7,776,549
Investments	562,500	907,562
Prepaid expenses and other current assets	474,845	1,291,429
Total current assets	**15,425,250**	**17,737,815**
Property, plant and equipment, net	1,111,355	1,066,302
Goodwill and other intangibles, net	191,201	240,967
Deferred tax assets	536,702	382,591
Total assets	**17,264,508**	**19,427,675**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Line of credit	2,015,792	2,269,274
Accounts payable	1,311,801	1,793,211
Other current liabilities	475,734	782,718
Total current liabilities	**3,803,327**	**4,845,203**
Non-current deferred tax liability	15,191	13,124
Total liabilities	**3,818,518**	**4,858,327**
Stockholder's equity		
Common stock	14,780,000	14,780,000
Accumulated deficit	(1,334,010)	(210,652)
Total stockholder's equity	**13,445,990**	**14,569,348**
Total liabilities and stockholder's equity	**17,264,508**	**19,427,675**

(The accompanying notes are an integral part of these financial statements)

Statements of income

(All amounts in United States Dollars, unless otherwise stated)

	For the year ended March 31, 2019	March 31, 2018
Revenues, net of allowances and rebates	17,589,696	18,020,095
Less: cost of revenues	12,182,081	11,855,753
Gross profit	**5,407,615**	**6,164,342**
Operating costs and expenses		
Selling, general and administrative expense	5,253,398	5,099,705
Depreciation and amortization	366,052	327,346
Impairment of investment	187,500	-
Interest expense	98,429	94,315
Total costs and expenses	**5,905,379**	**5,521,366**
Operating loss	**(497,764)**	**642,976**
Other (expense) income, net	(113,776)	59,310
(Loss) profit from continuing operations before income tax	**(611,540)**	**702,286**
Current tax (benefit) expense	(36,138)	177,615
Deferred tax (benefit) expense	(152,044)	283,357
(Loss) profit from continuing operations	**(423,358)**	**241,314**
Loss on discontinued operation, net of tax (including loss on disposal $ 145,405)	**-**	**(163,718)**
Net (loss) income	**(423,358)**	**77,596**

(The accompanying notes are an integral part of these financial statements)

Statements of stockholder's equity

(All amounts are stated in United States Dollars, except number of shares or unless otherwise stated)

	Common stock					
	Authorized		Issued and outstanding			Total
Particulars	**Shares**	**Value in US$**	**Shares**	**Value in US$**	**Accumulated deficit**	**stockholder's equity**
Balance as on April 01, 2017	27,000,000	27,000,000	14,780,000	14,780,000	(288,248)	14,491,752
Net income for the year	-	-	-	-	77,596	77,596
Balance as on March 31, 2018	**27,000,000**	**27,000,000**	**14,780,000**	**14,780,000**	**(210,652)**	**14,569,348**
Balance as at April 01, 2018	27,000,000	27,000,000	14,780,000	14,780,000	(210,652)	14,569,348
Net loss for the year	-	-	-	-	(423,358)	(423,358)
Dividend paid	-	-	-	-	(700,000)	(700,000)
Balance as on March 31, 2019	**27,000,000**	**27,000,000**	**14,780,000**	**14,780,000**	**(1,334,010)**	**13,445,990**

(The accompanying notes are an integral part of these financial statements)

Statements of cash flow

(All amounts in United States Dollars unless otherwise stated)	For the year ended March 31, 2019	For the year ended March 31, 2018
Cash flow from operating activities		
Net (loss) income	(423,358)	77,596
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities		
Depreciation and amortization	366,052	327,346
Impairment of investment	187,500	-
Interest income	-	(45,000)
Interest receivable written off	157,562	-
Deferred tax (benefit) expense	(152,044)	283,357
Allowance for bad debts	(97,205)	61,752
Allowance for slow moving inventory (net of inventory written off)	268,471	(507,270)
Loss on sale of Cyclo division	-	145,405
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	585,846	(694,120)
Decrease (increase) in inventories	293,834	(367,792)
Decrease in prepaid expenses and other current assets	816,584	260,925
(Increase) decrease in accounts payable	(481,410)	982,940
Increase in other current liabilities	(306,984)	(823,568)
Decrease in deferred taxes	-	14,468
Net cash provided by (used in) operating activities	**1,214,848**	**(283,961)**
Cash flow from investing activities		
Purchase of property, plant and equipment	(361,339)	(213,805)
Proceeds from sale of Cyclo division	-	4,695,750
Net cash (used in) provided by investing activities	**(361,339)**	**4,481,945**
Cash flow from financing activities		
Short-term line of credit	(253,482)	(462,761)
Dividend paid	(700,000)	-
Net cash used in financing activities	**(953,482)**	**(462,761)**
Net (decrease) increase in cash and cash equivalents	(99,973)	3,735,223
Cash and cash equivalents at the beginning of the year	3,995,441	260,218
Cash and cash equivalents at the end of the year	**3,895,468**	**3,995,441**
Supplemental cash flow information		
Interest paid	80,967	80,876
Income taxes paid	24,474	21,608

(The accompanying notes are an integral part of these financial statements)

Notes to Financial Statements

(All amounts in United States Dollars, unless otherwise stated)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

1. *Business description*

Pidilite USA, Inc. ("the Company") was incorporated in Delaware on May 12, 2006.

The Company conducts business through its divisions Sargent Art and Cyclo. Sargent Art division manufactures and trades in art materials and is located in Hazleton, Pennsylvania. The Cyclo division trades in car care products, and is located in Jupiter, Florida. The Company sold the Cyclo division in June 2017, following a strategic decision to place greater focus on Company's key competency, the art material segment.

Pidilite USA, Inc. is a wholly owned subsidiary of Pidilite Industries Limited, a public listed company in India.

2. *Financial statements*

a) *Basis of preparation*

The accompanying financial statements are prepared under the historical cost convention on accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States of America ('US GAAP') to reflect the financial position, results of operations, stockholder's equity and cash flows.

All amounts are stated in US dollars, except as otherwise specified.

The current year financial statements are for the fiscal year April 1, 2018 to March 31, 2019. The previous year financial statements are for fiscal year April 1, 2017 to March 31, 2018. The amounts in the notes to the financial statements for the previous year ending March 31, 2018 are given in brackets. Certain reclassifications, regroupings and reworking have been made in the financial statements of prior periods to conform to the classifications used in the current year. These changes had no impact on previously reported net income or stockholder's equity.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of income. When an operation is classified as a discontinued operation, the comparative statement of income is re-presented as if the operation has been discontinued from the start of the year.

b) Estimates and assumptions

In preparing the financial statements in conformity with US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The important estimates made by the Company in preparing these financial statements include those on provision for product recall expenses, allowance for doubtful accounts receivable, inventory reserve, useful life of property, plant and equipment, the valuation and impairment of goodwill and other intangibles, the provision for rebates and allowances and realization of deferred taxes. Actual results could differ from those estimates.

3. *Cash and cash equivalents*

The Company considers all highly liquid investments and deposits with an original maturity of ninety days or less to be cash and cash equivalents. Cash and cash equivalents comprise cash on hand and balance with banks. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

4. Revenue recognition

Revenue from sale of goods
Revenue is recognized when significant risks and rewards in respect of ownership of the products are transferred to the customer and when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- The price to the buyer is fixed and determinable;
- Delivery has occurred and/or services have been rendered; and
- Collectability of the sales price is reasonably assured.

Revenue from sale of goods is shown net of provisions for estimated sales returns, consumer and trade promotions, rebates, cash discounts, promotional reserve and other deductions. Provisions for rebates to customers are provided in the same period that the sales are recorded. The Company accounts for free products offered to customers as cost of sales, based on the guidance provided in Accounting Standard Codification ("ASC") 605-50, Vendor's Accounting for Consideration Given to a Customer.

Revenue from sale of services

The Company performs research and development services and charges service fee on a cost-plus mark-up basis for such services. The service fee is invoiced at a mark-up on the operating costs incurred for providing such services.

5. Shipping and handling costs

The Company classifies shipping and handling costs as expenses. Amounts billed to a customer in sales transaction related to shipping and handling are credited to shipping and handling costs.

6. Investments

Investments are carried at cost and comprise of investment in debt securities.

7. *Allowance for doubtful accounts*

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of their customers to make required payments. Management analyzes accounts receivable and the composition of the accounts receivable aging, historical bad debts, current economic trends and customer credit worthiness when evaluating the adequacy of the allowance for doubtful accounts. Bad debt expense is included in general expenses in the statement of income.

8. *Goodwill and intangible assets*

In accordance with ASC 350, Goodwill and Other Intangible Assets, all assets and liabilities of the acquired business including goodwill are assigned to the reporting units. The Company does not amortize goodwill but instead tests goodwill for impairment at least annually.

For goodwill impairment tests, if the carrying value of a reporting unit exceeds its fair value, the Company will measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

Intangible assets acquired individually, with a group of other assets or in a business combination are carried at cost less accumulated amortization. The intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. The estimated useful lives of the intangible assets are as follows:

Trademark	5- 15 years
Software licenses	5 years

Payments made for non-compete covenants in a business combination are written off during the non- compete period, which is for 5 years.

9. *Inventories*

Inventories are stated at the lower of cost or market value. Cost is determined using weighted-average method for raw materials and packing materials, work in process, manufactured finished goods and the traded finished goods of art materials and adhesive segment and also to determine cost of the traded finished goods of car care products inventories. The Company provides an allowance for slow moving inventory based on a specific identification method considering the ageing of the inventory and the current market conditions.

10. *Income taxes*

The Company accounts for deferred taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of change. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions within the provision for income taxes.

11. *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is provided over the estimated useful life of the assets using the straight-line method. Expenditures for maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the cost of the asset and related depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to income.

The estimated useful lives of assets are as follows:

Leasehold improvements	4-5 years
Machinery and equipment	7 years
Office furniture and equipment	3-5 years
Vehicles	5 years

12. *Commitments and contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

13. *Operating leases*

The Company leases certain facilities and equipment. Lease rent expenses on operating leases are charged to expense over the lease term. Certain of the Company's leases contain renewal options, rent escalation clauses, and/or landlord incentives. Renewal terms generally reflect market rates at the time of renewal. Rent expense for non-cancelable operating leases with scheduled rent increases and/or landlord incentives is recognized on a straight-line basis over the lease term, including any applicable rent holidays, beginning with the lease commencement date, or the date the Company takes control of the leased space, whichever is sooner. The excess of straight-line rent expense over scheduled payment amounts and landlord incentives is recorded as a deferred rent liability.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at	
Particulars	**March 31, 2019**	**March 31, 2018**
Petty cash	261	197
Checking accounts	3,895,207	3,995,244
Total	**3,895,468**	**3,995,441**

Cash balances on checking accounts and payroll accounts with the bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of $250,000 (March 31, 2018: $250,000) per depositor at each financial institution.

NOTE C - ACCOUNTS RECEIVABLE

The accounts receivable as at March 31, 2019 are stated net of rebates and allowance for doubtful accounts. Accounts receivable as at March 31, 2019 of $3,278,193 (March 31, 2018: $3,766,834) represent dues from customers of the Company, representing amounts receivable on product sales. The Company maintains an allowance for doubtful accounts based on present and prospective financial condition of the customer and ageing of accounts receivable after considering historical experience and the current economic environment. The accounts receivable balances as at March 31, 2019 comprises of dues from related parties of $185,468 (March 31, 2018: $231,242).

All the receivables are pledged as security for line of credit with a bank.

The movement in allowance for doubtful accounts during the year was as follows: -

	Year ended	
Particulars	**March 31, 2019**	**March 31, 2018**
Balance at the beginning of the year	551,602	705,682
Add: Provision for the year (net of reversal)	(97,205)	61,752
Less: Bad debts written off/back	49,238	(215,832)
Balance at the end of the year	**503,635**	**551,602**

At the end of fiscal year 2013 a major customer of the Sargent Art division filed for Chapter 11 bankruptcy protection. The Company filed its priority claim of $37,608 and non-priority claim of $ 448,348 with the Bankruptcy Court. Based on the Reorganization Plan ("Plan") approved by the Court, the Company received the full amount of its priority claim. With regard to the non-priority claim the Plan provided different options to the Company.

The Company accepted the option to provide the customer agreed upon customary trade terms (same terms as were given pre-petition) till September 30, 2014. The Company may receive 45% of the allowed non-priority claim plus interest at 10% per annum accrued quarterly and payable in the financial year 2020-21. The Company estimates the realization under this option would be approximately $372,121 in the year 2020-21. The Company believes that it has adequately provided for the account receivable from the customer.

NOTE D - INVENTORIES

Major classes of inventory are as follows:

Particulars	As at March 31, 2019	As at March 31, 2018
Raw materials and packing materials	1,802,011	1,889,069
Work in process	150,730	157,026
Manufactured finished goods	1,097,417	1,449,202
Goods in transit	740,988	665,603
Traded finished goods:		
Art materials	4,162,134	4,086,214
Less: Allowance for slow moving inventory	(739,036)	(470,565)
Total	**7,214,244**	**7,776,549**

The movement in allowance for slow moving inventory during the year was as follows: -

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Balance at the beginning of the year	470,565	977,834
Add: Reserve created during the year	344,200	163,442
Less: Reserve write back	-	(557,186)
Less: Inventory written off during the year	(75,729)	(113,525)
Balance at the end of the year	**739,036**	**470,565**

All the inventories are pledged as security against the line of credit with a bank.

NOTE E - INVESTMENT

On September 29, 2014 the Company invested in convertible promissory notes of Optmed Inc., for an amount of $750,000. The conversion of the promissory notes is subject to various covenants. The conversion feature also includes an option to convert to common stock at the sole discretion of the Company upon certain future event. Management has considered and valued this investment as a 'debt instrument' and believes that the valuation of the option can be done only after the occurrence of the specific future event.

During the year the Company recognized impairment amounting to $187,500 and has written off the accrued interest receivable on the promissory notes amounting to $157,562. The provision for impairment represents the difference between the net carrying cost and the estimated selling value based on best judgement. The Company has evaluated the current business operation and the risk and uncertainties involved to determine recoverability of the Company's remaining cost. Impairment loss has been recorded separately in the statement of income. Investment as at March 31, 2019 is $562,500 (March 31, 2018: $907,562).

NOTE F - PREPAID EXPENSE AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets comprise the following:

Particulars	As at March 31, 2019	As at March 31, 2018
Deposit with customs authority	-	220,525
Retention money	-	350,000
Advance to vendors	195,299	286,256
Advance taxes	176,281	341,084
Other assets	6,612	17,882
Prepaid expenses	96,653	75,682
Total	**474,845**	**1,291,429**

NOTE G - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment comprise the following:

Particulars	As at March 31, 2019	As at March 31, 2018
Leasehold improvement	198,350	184,625
Machinery and equipment	3,566,049	3,235,455
Office furniture and equipment	372,575	373,781
Vehicles	23,465	23,465
Total*	**4,160,439**	**3,817,326**
Less: Accumulated depreciation	(3,049,084)	(2,751,024)
Property, plant and equipment, net	**1,111,355**	**1,066,302**

The carrying amounts of all tangible/intangible assets are pledged as security against the line of credit with a bank.

*Assets pertaining to Cyclo division were sold during the previous year by way of an Asset Purchase Agreement (refer Note P).

Depreciation expense for the year is $312,729 (March 31, 2018: $274,944).

NOTE H - GOODWILL AND OTHER INTANGIBLES, NET

Goodwill and other intangibles comprise the following:

	As at March 31, 2019		
Particulars	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Trademark*	770,281	(657,588)	112,693
Goodwill	70,358	-	70,358
Software licenses	33,301	(26,272)	8,149
Non-compete	50,000	(50,000)	-
Total **	**923,941**	**(733,860)**	**191,201**

	As at March 31, 2018		
Particulars	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Trademark*	770,281	(606,236)	164,045
Goodwill	70,358	-	70,358
Software licenses	30,865	(24,301)	6,564
Non-compete	50,000	(50,000)	-
**Total ** **	**921,504**	**(680,537)**	**240,967**

*The gross amount of trademarks includes registration and renewal costs of $51,787.
** Assets pertaining to Cyclo division were sold during the year by way of an Asset Purchase Agreement (refer Note P).

The Company amortized the non-compete covenants over the term of the non-compete, which was five years.

The Company has estimated the useful life of the trademarks to be 15 years. The Company capitalizes the registration and renewal costs incurred on the trademarks and the estimated useful life of such costs have been estimated at 5 years by the Company.

Intangible amortization expense for the year is $53,323 (March 31, 2018: $52,402). The Company's estimate of annual amortization expense for the next five years for the intangible assets is as follows:

Year ending March 31,	**Amount**
2020	53,323
2021	53,323
2022	1,971
2023	1,971
2024 and beyond	10,254
Total	**120,842**

NOTE I - LINE OF CREDIT

The Company has a working capital facility line of credit with a bank with a maximum permissible limit of $3,000,000 (March 31, 2018: $6,000,000). As at March 31, 2019 the Company has made withdrawals to the tune of $2,015,792 (March 31, 2018: $2,269,274). Interest on the line of credit is payable at LIBOR plus 1.95% per annum, calculated at monthly intervals. As of March 31, 2019, the applicable rate of interest on the outstanding line of credit was 4.44% per annum (March 31, 2018: 4.13% per annum).

The line of credit is secured against all receivables, inventory and other assets. Total interest expense on the line of credit for the year ended March 31, 2019 is $98,429 (March 31, 2018: $80,876). Interest is payable on a monthly basis and the line of credit is repayable on demand.

NOTE J - OTHER CURRENT LIABILITIES

Other current liabilities comprise of the following:

Particulars	As at March 31, 2019	As at March 31, 2018
Accrued expenses	256,727	261,799
Accrued salaries	90,892	90,054
Advance from customer	6,834	80,856
Accrued taxes	591	226,133
Bonus payable	-	57,842
Accrued vacation pay	104,349	24,079
Accrued interest	16,341	6,191
Others	-	35,764
Total	**475,734**	**782,718**

NOTE K - ADVERTISING AND SALES PROMOTION COST

During the year ended March 31, 2019, the Company incurred $202,799 (March 31, 2018: $221,284) on non-response advertising and sales promotions.

NOTE L - OTHER (EXPENSE) INCOME, NET

Other income comprises of:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest on Optmed investment	-	45,000
Interest receivable written off	(157,562)	-
Other	43,786	14,310
Total	**(113,776)**	**59,310**

NOTE M - INCOME TAXES

Income tax expense (benefit) is as follows:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
State		
Current	18,029	(563)
Deferred	(50,564)	91,073
Federal		
Current	(54,167)	184,084
Deferred	(101,480)	206,754
Total tax (benefit) expense	**(188,182)**	**481,348**
Less: Taxes on discontinued operation	-	(20,376)
Total tax (benefit) expense on continued operations	**(188,182)**	**460,972**

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

Particulars	**For the year ended March 31, 2019**	**March 31, 2018**
Income tax at federal rate	(275,382)	82,751
State tax, net of federal effect	(33,831)	89,230
Return to provision	(28,812)	190,565
Permanent differences	149,844	67,916
Change in tax rate	-	50,888
Total	**(188,182)**	**481,348**

The following is the summary of items giving rise to deferred tax assets and liabilities:

Particulars	**For the year ended March 31, 2019**	**March 31, 2018**
Deferred tax asset		
Accounts receivable	127,087	130,416
Inventories	344,117	255,535
Inventory reserve	186,488	111,256
Accrued bonus	-	13,676
Accrued vacation	26,331	-
Net operating losses	65,106	56,086
Investment	47,313	-
Intangibles other than goodwill	2,225	2,406
Total	**798,667**	**569,375**
Less: Valuation allowance	-	-
Total deferred tax asset	**798,667**	**569,375**
Deferred tax liability		
Property and equipment	261,965	186,784
Deferred tax liability	**261,965**	**186,784**
Non-current deferred tax asset, net	**536,702**	**382,591**
Deferred tax liability		
Goodwill	15,191	13,124
Non-current deferred tax liability	**15,191**	**13,124**

In assessing the realization of deferred tax assets, the likelihood of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized must be considered. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment.

The Company has recognized deferred tax liability of $15,191 (March 31, 2018: $13,124) on account of temporary differences arising out of goodwill amortization for tax purposes. Such deferred tax liability may not be offset against deferred tax assets and has been recognized while preparing the financial statements.

The Company recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Company's financial position, results of operation or cash flows.

The tax years of 2015 through 2017 remain subject to examination by the taxing authorities.

NOTE N - RELATED PARTY TRANSACTIONS

A. The following are the related parties with whom transactions have taken place during the year with the Company having closing balances:

   a. Pidilite Industries Limited – Parent Company
   b. Pidilite International Pte. Limited – Associate Company

B. Summary of transactions with related parties are as follows:

Particulars	Pidilite Industries Limited US$	Pidilite International Pte. Ltd US$	Total US$
Transactions for the year ended March 31, 2019			
Purchases inclusive of goods in transit	876,747	-	**876,747**
Royalty expense	-	50,664	**50,664**
Legal fees paid	-	8,505	**8,505**
Service fees	2,103,845	-	**2,103,845**
Expense reimbursement	172,337	-	**172,337**
Balances as at March 31, 2019			
Accounts receivable	185,468	-	**185,468**
Accounts payable	261,157	42,159	**303,316**
Other payable	53,943	-	**53,943**
Transactions for the year ended March 31, 2018			
Purchases	630,164	-	**630,164**
Royalty expense	-	56,024	**56,024**
Service fees	1,327,808	-	**1,327,808**
Expense reimbursement	11,852	38,642	**50,494**
Balances as at March 31, 2018			
Accounts receivable	294,190	-	**294,190**
Accounts payable	92,235	57,247	**149,482**
Other payable	30,421	-	**30,421**

NOTE O - COMMITMENTS AND CONTINGENCIES

a) Operating leases

The Company leases office space at Hazleton manufacturing and warehousing facilities and office equipment under cancelable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental payments under such leases for the year were $360,435 (March 31, 2018: $395,615) for the year ended March 31, 2019.

Details of contractual payments under non-cancelable leases are given below:

Year ending	Rental commitments for office premises	Rental commitments for manufacturing and warehousing facilities
March 31, 2020	-	-

The Company is in discussion of renewing the warehousing facility at Hazleton, post its expiry in December 2017. However, the Company continues to use the facility at an agreed rent, based on the expired lease agreement.

b) Employment contracts

The Company has employment agreements with key executive officers. These agreements provide for base salaries, bonus, perquisites and fringe benefits as approved by the Board of Directors. The Company accrues for incentives payable to the key executive officers.

NOTE P - DISCONTINUED OPERATION

In June 2017, the management sold the assets, business and operations of the Company's Cyclo division ("the Division") following strategic decision to place greater focus on Company's key competency in art material segment. The closure of the deal and transaction of sale of assets effectively took place on June 07, 2017 by receipt of initial consideration of $ 4,695,750 out of total consideration of $ 5,045,750. The balance of $350,000 was held back as retention money by acquirer, in escrow account, and was disbursed after one year from the date of sale.

The results of discontinued operation are presented as follows:

Particulars	April 01, 2017 to June 07, 2017	For the year ended March 31, 2017
Revenues, net of allowances and rebates	2,283,657	13,864,080
Less: cost of revenues	1,343,148	8,491,597
Gross profit	**940,509**	**5,372,483**
Operating costs and expenses		
Selling, general and administrative expense	904,263	4,321,962
Depreciation and amortization	32,296	205,815
Interest expense	1,887	34,906
Total costs and expenses	**938,446**	**4,562,683**
Operating profit	**2,063**	**809,800**
Other income	-	49,869
Loss on disposal of division	(145,405)	-
(Loss) profit before tax from discontinued operation	**(143,342)**	**859,669**
Income tax expense	20,376	333,994
(Loss) profit after tax from discontinued operation	**(163,718)**	**525,675**

Cash flows used in discontinued operations:

Particulars	For the period ended June 07, 2017	For the year ended March 31, 2017
Net cash (used in) provided by operating activities	(2,820,863)	707,163
Net cash provided by (used in) investing activities	3,106,480	(40,797)
Net cash used in financing activities	(246,249)	(649,049)
Net cash flows for the year	**39,368**	**17,317**

Net assets disposed and inflows of discontinuing operation:

Particulars	For the period ended June 07, 2017
Tangible and intangible assets	1,576,732
Accounts receivable	3,009,812
Inventory	2,026,867
Other assets	240,775
Accounts liabilities	(1,367,001)
Other liabilities	(296,030)
Net assets disposed (other than cash)	**5,191,155**
Consideration received in cash	
Proceeds from sale	4,695,750
Retention money in escrow account	350,000
Total consideration	**5,045,750**
Pre-tax loss on disposal	**145,405**

NOTE Q - RETIREMENT PLANS

The Company contributes to two 401(k) plans for salaried and eligible hourly personnel. The contribution for the year ended March 31, 2019 is $94,103 (March 31, 2018: $76,140).

NOTE R - CONCENTRATION RISK

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect future operating results and cause actual results to vary materially from expectations include but are not limited to government regulations, competition, reliance on certain customers and credit risk.

The Company has concentration in respect of region in which it operates, which is the USA.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. To reduce its credit risk, the Company performs ongoing credit evaluations of customers. The Company concentrates its revenue with a single customer which accounted for 17% and 17% of revenues for the years ended March 31, 2019 and March 31, 2018, respectively. The Company's two customers accounted for 38% and 31% of the accounts receivable as at March 31, 2019 and March 31, 2018, respectively

NOTE S - STOCKHOLDER'S EQUITY

The authorized share capital of the Company is 27,000,000 (March 31, 2018: 27,000,000 common shares) common shares of a par value of $1 each. The Company has issued 14,780,000 (March 31, 2018: 14,780,000 common shares) common shares of $1 each. Each share carries an equal voting right and is entitled to an equal share in the assets of the Company at liquidation.

NOTE T - SUBSEQUENT EVENTS

These financial statements considered subsequent events through April 30, 2019, the date the financial statements were available to be issued.

Appendix A – Supplementary information

1. <u>Property, plant and equipment, net</u>

Particulars	Machinery and equipment	Office equipment	Leasehold improvements	Vehicles	Total
Gross block					
As at April 01, 2017	3196,720	727,596	299,285	23,465	4,247,066
Additions during the year	172,978	32,033	20,937	-	225,948
Deletions during the year	(134,243)	(385,848)	(135,597)	-	(655,688)
As at March 31, 2018 (A)	**3,235,455**	**373,781**	**184,625**	**23,465**	**3,817,326**
As at April 01, 2018	3,235,455	373,781	184,625	23,465	3,817,326
Additions during the year	330,594	13,465	13,725	-	357,784
Deletions during the year	-	-	-	-	-
As at March 31, 2019 (C)	**3,566,049**	**387,246**	**198,350**	**23,465**	**4,175,110**
Accumulated depreciation					
As at April 01, 2017	2,099,001	640,429	238,376	23,465	3,001,271
Charge for the year	235,215	18,005	21,724	-	274,944
Disposal	(53,076)	(341,992)	(130,123)	-	(525,191)
As at March 31, 2018 (C)	**2,281,140**	**316,442**	**129,977**	**23,465**	**2,751,024**
As at April 01, 2018	2,281,140	316,442	129,977	23,465	2,751,024
Charge for the year	267,076	22,350	23,303	-	312,729
Disposal	-	-	-	-	-
As at March 31, 2019 (D)	**2,548,216**	**338,792**	**153,280**	**23,465**	**3063,753**
Net block					
As at March 31, 2018 (A-B)	**954,315**	**57,339**	**54,648**	**-**	**1,066,302**
As at March 31, 2019 (C-D)	**1,017,833**	**48,452**	**45070**	**-**	**1,111,355**

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2. Goodwill and intangibles, net

Particulars	Trademark	Goodwill	Software	Non-compete	Total
Gross block					
As at April 01, 2017	2,969,497	927,834	357,949	60,000	4,315,280
Additions during the year	-	-	7,614	-	7,614
Deletions during the year	(2,199,216)	(857,476)	(334,698)	(10,000)	(3,401,390)
As at March 31, 2018 (A)	**770,281**	**70,358**	**30,865**	**50,000**	**921,504**
As at April 01, 2018	770,281	70,358	30,865	50,000	921,504
Additions during the year	-	-	3,556	-	3,556
Deletions during the year	-	-	-	-	-
As at March 31, 2019 (C)	**770,281**	**70,358**	**34,421**	**50,000**	**925,060**
Accumulated depreciation					
As at April 01, 2017	2,150,859	-	352,674	60,000	2,563,533
Charge for the year	51,352	-	1,050	-	52,402
Disposal	(1,595,975)	-	(329,423)	(10,000)	(1,935,398)
As at March 31, 2018 (B)	**606,236**	**-**	**24,301**	**50,000**	**680,537**
As at April 01, 2018	606,236	-	24,301	50,000	680,537
Charge for the year	51,352	-	1,971	-	53,323
Disposal	-	-	-	-	-
As at March 31, 2019 (D)	**657,588**	**-**	**26,272**	**50,000**	**733,860**
Net block					
As at March 31, 2018 (A-B)	**164,045**	**70,358**	**6,564**	**-**	**240,967**
As at March 31, 2019 (C-D)	**112,693**	**70,358**	**8,149**	**-**	**191,200**

3. Bifurcation of inventory allowance for slow moving items

Classes of inventory	As at March 31, 2018	As at March 31, 2017
Raw material	52,886	34,559
Packing material	129703	144,261
Intermediate items	22,216	24,441
Finished goods – mfg.	38,386	27,038
Finished goods – trading	495,845	240,266
Total	**739,036**	**470,565**

4. Income taxes

The following is the summary of items giving rise to deferred tax assets and liabilities:

Particulars	As at March 31, 2018	As at March 31, 2017
Tax effect of items constituting deferred tax liabilities		
Property, plant and equipment	261,965	186,784
Intangible assets - goodwill	15,191	13,124
Tax effect of items constituting deferred tax liabilities	**277,156**	**199,908**
Tax effect of items constituting deferred tax assets		
Provision for doubtful debts	127,087	130,416
Inventory & Inventory reserve	530,605	366,791
Intangibles other than goodwill	2,225	2,406
Accrued bonus	-	13,676
Accrued vacation	26,331	-
Impairment	47,313	
Net operating losses	65,106	56,086
Tax effect of items constituting deferred tax assets	**798,667**	**569,375**
Total net deferred tax assets	**521,511**	**369,467**

Movement in deferred tax liability:

Particulars	Property, plant and equipment	Intangible assets - goodwill	Total
Balance as on April 1, 2017	**310,274**	**248,932**	**559,206**
(Charged)/Credited :			
to Profit or loss	(123,490)	(235,808)	(359,298)
to other comprehensive income	-	-	-
deferred tax on basis adjustment	-	-	-
Balance as on March 31, 2018	**186,784**	**13,124**	**199,908**
(Charged)/Credited :			
to Profit or loss	75,181	2,067	77,248
to other comprehensive income	-	-	-
deferred tax on basis adjustment	-	-	-
Balance as on March 31, 2019	**261,965**	**15,191**	**277,156**

Movement in deferred tax assets:

Particulars	Provision for doubtful debts	Inventory	Inventory reserve	Intangibles other than Goodwill	Accrued bonus	Accrued vacation	Accrued expenses	Net operating losses	Impairment	Total
Balance as on April 1, 2017	266,441	387,432	369,195	14,045	29,450	-	31,338	128,597	-	1,226,498
(Charged)/Credited :										-
to Profit or loss	(136,025)	(131,897)	(257,939)	(11,639)	(15,774)	-	(31,338)	(72,511)	-	(657,123)
to other comprehensive income	-	-	-	-	-	-	-	-	-	-
deferred tax on basis adjustment	-	-	-	-	-	-	-	-	-	-
Balance as on March 31, 2018	**130,416**	**255,535**	**111,256**	**2,406**	**13,676**	**-**	**-**	**56,086**	**-**	**569,375**
(Charged)/Credited :										-
to Profit or loss	(3,329)	88,582	75,231	(182)	(13,676)	26,331	-	9,020	47,313	229,290
to other comprehensive income	-	-	-	-	-	-	-	-	-	-
deferred tax on basis adjustment	-	-	-	-	-	-	-	-	-	-
Balance as on March 31, 2019	**127,087**	**344,117**	**186,487**	**2,224**	**-**	**26,331**	**-**	**65,106**	**47,313**	**798,666**

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Reconciliation of income tax expense and the accounting profit multiplied by Company's domestic tax rate:

Particulars	Year ended March 31, 2019	March 31, 2018
Profit before tax from continuing operations	**(1,311,345)**	**702,286**
Income tax expense calculated at 21% (2016: 34%)#	(275,382)	147,480
Effect of tax rates in foreign jurisdictions	-	-
Reduction in tax rate	-	38,313
Effect of income that is exempt from taxation	-	-
Effect of expenses that is non-deductible in determining taxable profit	149,844	24,966
Effect of tax incentives and concessions (research and development and other allowances)	-	-
Effect of current year losses for which no deferred tax asset is recognized	-	-
Effect of recognition of tax effect of previously unrecognized tax losses now recognized as deferred tax assets	-	-
Changes in recognized deductible temporary differences	135,109	(38,953)
Changes in estimates related to prior years	(50,583)	-
Unrecognized AMT Credit	-	-
Unrecognized foreign tax Credit	-	-
State taxes	4,876	5,806
	(36,138)	**177,612**
Adjustments recognized in the current year in relation to the current tax of prior years	-	-
Income tax expense recognized in profit or loss from continuing operations	**(36,138)**	**177,612**

#The tax rate used for March 31, 2019 reconciliation above is the corporate federal tax rate of 21% payable by corporate entities in US on taxable profits under US tax laws.

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