

**KANSAI PAINTS LANKA
(PRIVATE) LIMITED**

**FINANCIAL STATEMENTS
31ST MARCH 2017**



KPMG
(Chartered Accountants)
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF KANSAI PAINTS LANKA (PRIVATE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Kansai Paints Lanka (Private) Limited, ("the Company"), which comprise the statement of financial position as at March 31, 2017, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information set out on notes 1 to 21.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, 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 give a true and fair view of the financial position of the Company as at March 31, 2017, and of its financial performance and cash flows for the period then ended in accordance with Sri Lanka Accounting Standards.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakaner FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapakse FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Principals - S.R.J. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACMA (UK)



Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act. No. 07 of 2007.

A handwritten signature of the KPMG firm, written in black ink.

CHARTERED ACCOUNTANTS

Colombo

1st May 2017

KANSAI PAINTS LANKA (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March,

	Note	2017 Rs.	2016 Rs.
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative and other operating expenses	5	(24,134,807)	(2,520,548)
Amortisation of lease deposit	6	(480,257)	(194,585)
Loss from operations		(24,615,064)	(2,715,133)
Finance income		2,014,418	-
Loss before taxation		(22,600,646)	(2,715,133)
Income tax expense	7	(564,037)	-
Loss for the year		(23,164,683)	(2,715,133)
Other comprehensive income		-	-
Total comprehensive income for the period		(23,164,683)	(2,715,133)

*The notes form an integral part of these financial statements.
Figures in brackets indicate deductions.*

KANSAI PAINTS LANKA (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31st March,

	Note	2017 Rs.	2016 Rs.
ASSETS			
Non-current assets			
Property, plant and equipment	8	4,561,188	85,987
Capital work-in-progress	9	290,899,886	46,851,111
Non-refundable lease deposit	10	22,857,761	23,338,018
Total non-current assets		318,318,834	70,275,116
Current assets			
Non-refundable lease deposit	10	480,257	480,257
Advances and prepayments	11	5,269,838	1,941,748
Other receivables	12	5,310,954	66,245
Short term investment		140,000,000	-
Cash and cash equivalents	13	12,694,050	24,611,521
Total current assets		163,755,099	27,099,771
Total assets		482,073,933	97,374,887
EQUITY AND LIABILITIES			
Equity			
Stated capital	14	500,000,020	100,000,020
Accumulated loss		(25,879,816)	(2,715,133)
Total Equity		474,120,204	97,284,887
Current liabilities			
Trade and other payables	15	4,495,384	90,000
Income tax payables		564,037	-
Amount due to related parties	16	2,894,307	-
Total liabilities		7,953,728	90,000
Total equity and liabilities		482,073,933	97,374,887

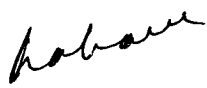
The notes form an integral part of these financial statements.
Figures in brackets indicate deductions.

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


.....
for Chief Financial Officer

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements.
Approved and signed for and on behalf of the Board;


.....
Director


.....
Director

1st of May 2017

KANSAPAINTS LANKA (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY

	Stated capital <u>Rs.</u>	Accumulated loss <u>Rs.</u>	Total <u>Rs.</u>
Issue of ordinary shares, 30 th July 2015	20	-	20
Issue of ordinary shares, 2 nd March 2016	100,000,000	-	100,000,000
Total comprehensive income for the period			
Loss for the period	-	(2,715,133)	(2,715,133)
Other comprehensive income	-	-	-
	-	(2,715,133)	(2,715,133)
Balance as at 31 st March, 2016	100,000,020	(2,715,133)	97,284,887
Issue of ordinary shares	400,000,000	-	400,000,000
Total comprehensive income for the period			
Loss for the period	-	(23,164,683)	(23,164,683)
Other comprehensive income	-	-	-
Balance as at 31 st March, 2017	500,000,020	(25,879,816)	474,120,204

The notes form an integral part of these financial statements.
Figures in brackets indicate deductions.

KANSAI PAINTS LANKA (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31st March,

	2017	2016
	<u>Rs.</u>	<u>Rs.</u>
Cash flows from operating activities		
Loss before taxation	(22,600,646)	(2,715,133)
<i>Adjustment for;</i>		
Depreciation of property, plant and equipment	441,189	1,013
Non refundable lease deposit amortised	480,257	194,585
Operating loss before working capital changes	<u>(21,679,199)</u>	<u>(2,519,535)</u>
Working capital adjustments:		
Increase in advances, prepayments and other receivables	(3,328,090)	(2,007,993)
Increase in other receivable	(5,244,709)	-
Increase in trade and other payables	4,405,385	90,000
Increase in amount due to related parties	2,894,307	-
Cash used in operations	<u>(22,952,306)</u>	<u>(4,437,528)</u>
Interest expense paid	-	-
Net cash used in operations	<u>(22,952,307)</u>	<u>(4,437,528)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,916,390)	(87,000)
Capital work-in-progress cost incurred	(244,048,775)	(46,851,111)
Investment in short term investment	(140,000,000)	-
Non refundable lease deposit paid	-	(24,012,861)
Net cash flows used in investing activities	<u>(388,965,165)</u>	<u>(70,950,971)</u>
Cash flows from financing activities		
Issue of ordinary shares	400,000,000	100,000,020
Net cash flows from financing activities	<u>400,000,000</u>	<u>100,000,020</u>
Net increase in cash and cash equivalents	(11,917,471)	24,611,521
Cash and cash equivalents at the beginning of the year	24,611,521	-
Cash and cash equivalents at the end of the year	<u>12,694,050</u>	<u>24,611,521</u>

The notes form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

KANSAI PAINTS LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Kansai Paints Lanka (Private) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The Company was duly incorporated under the companies act No. 07 of 2007 on 30th July 2015.

The registered office of the company is located at 146, Dawson Street, Colombo 02.

1.2 Principle Activities and Nature of Operations

The principle activity of the Company is to manufacture paints (enamel and emulsion) and wood coating for the local and export market.

The Company is yet to commence commercial operations.

1.3 Parent Enterprise and Ultimate Parent Enterprise

Kansai Nerolac Paints Limited, Mumbai, India (60% shareholder) is the company's immediate parent and Kansai Paints Co. Ltd Japan is the Ultimate Parent.

2. GENERAL ACCOUNTING POLICIES

2.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter "SLFRS"), as issued by Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The preparation and presentation of these financial statements is in compliance with the Companies Act No. 07 of 2007.

2.1.1 Basis of measurement

The financial statements have been prepared on a historical cost basis and presented in Sri Lankan Rupees, except when otherwise indicated.

2.1.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.2 Significant accounting judgments, estimates and assumptions

The financial statements are sensitive to assumptions and estimates made in measuring certain carrying amounts represented in the statement of financial position and amounts charged to the statement of comprehensive income. These could result in a significant risk of causing material

KANSAI PAINTS LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

adjustments to the carrying amounts of assets and liabilities which are disclosed in the relevant Notes to the Financial Statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

a) Cost and Valuation

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement, when the asset is derecognised.

b) Depreciation

Depreciation is calculated on a straight-line basis on the cost or valuation of all Property, plant and equipment, in order to write off such amounts over the estimated useful lives of the assets. The principal annual rates used are:

Computers	25 %
Motor vehicle	25 %

The depreciation charges are determined separately for each significant part of an item of Property, plant and equipment and items of property plant and equipment are depreciated from the date that they are installed and are ready for use.

3.2 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula.

KANSAI PAINTS LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Raw Material	- At Weighted Average directly attributable cost
Finished Goods and Work-in-Progress	- At Direct material cost, direct labour and appropriate proportion of production overheads

3.3 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised is calculated using the weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion, i.e. when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

3.4 Financial Instruments

3.4.1 Financial Assets

Financial assets are recognized in the Statement of Financial Position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Initial Recognition

Loans and Receivables

The Company classifies its financial assets as loans and receivables when appropriate. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using effective interest rate (EIR) method less impairment.

Loans and receivables are presented as "Trade and other receivables" and "Amounts due from related parties" in the statement of financial position.

KANSAI PAINTS LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Impairment

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 there is objective evidence that an impairment loss 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 (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.4.2 Financial Liabilities

Initial recognition and measurement

When appropriate the Company determines the classification of its financial liabilities at initial recognition. The company classifies financial liabilities as other financial liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Other Financial Liabilities – Loans and Borrowings

After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

KANSAI PAINTS LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3.4.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.5 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of statement of cash flows, cash and cash equivalents consist of favourable cash balances net of outstanding bank overdrafts.

3.6 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 annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is higher of asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3.7 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

3.8 Taxation

a) Current Taxes

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 Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of statement of financial position. The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act.

KANSAI PAINTS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

b) Deferred Taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the statement of financial position date sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax relating to item recognized directly in equity is recognized in equity and not in the income statement.

3.9 Employee Benefits

3.9.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.9.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The Company recognizes all actuarial gains and losses arising from the defined benefit plan and all expenses related to defined benefit plans in personnel expenses in profit or loss.

3.9.3 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution to a separate entity and will have no legal or constructive obligation to pay further amounts. All employees of the Company are members of the Private Provident Fund/ Employees'

KANSAI PAINTS LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Provident Fund and Employees' Trust Fund, to which their employers contribute 12% - 15% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances. Contributions to defined benefit plans, EPF & ETF, are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.10 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of discounts and sales taxes. Following specific criteria are used for the purpose of recognition of revenue.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to buyers, the recovery of the consideration is probable, the associated costs and return of goods can be estimated reliably, there is non continuing management involvement with the goods and the amount of revenue can be measured reliably.

Interest income

Interest income is recognized as the interest accrues. Interest income is included in finance income in the income statement.

Other income

Other income is recognized on an accrual basis.

4. Effects of Sri Lanka Accounting Standards Issued but not yet Effective

The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka. Pending a full study of these new standards, the financial impact is not yet known and reasonably estimable at the date of the authorization of these financial statements.

Standard	Effective date
- SLFRS 9 – Financial Instruments: Classification and measurement	Effective for annual periods beginning on or after 01 January 2018
- SLFRS 15 Revenue from contracts with customers	Effective for annual periods beginning on or after 01 January 2018
- SLFRS 16 - Leases	Effective for annual periods beginning on or after 01 January 2019

KANSAI PAINTS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March,

	2017	2016
	<u>Rs.</u>	<u>Rs.</u>
5 Administrative and other operating expenses include the following,		
Directors emoluments	-	-
Depreciation of property, plant and equipment	441,189	1,013
Audit fees	150,000	90,000
Incorporation expenses	11,910	30,770
Employee benefit expenses	9,560,303	287,680
Ground rent on the operating lease	3,306,092	1,433,195
6 <u>AMORTISATION OF LEASE DEPOSIT</u>		
Non - refundable lease deposit and related expenses	<u>480,257</u>	<u>194,585</u>
7 <u>INCOME TAX EXPENSE</u>		
<u>Current tax expense</u>		

As per the Inland Revenue Act No.10 of 2006 and subsequent amendments thereto the company is liable to income tax at 28% of the adjusted taxable profit for the year.

7.1 Income tax expense

Current tax expense:

Accounting loss before tax	(22,600,646)	(2,715,133)
Less: Interest Income	(2,014,418)	-
Add: Disallowed expenses	1,083,057	2,715,133
Loss from business	<u>(23,532,007)</u>	-
Interest Income	2,014,418	-
Income tax for the year @ 28%	<u>564,037</u>	-

KANSAI PAINTS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,

8 PROPERTY, PLANT AND EQUIPMENT

	Computer and equipment <u>Rs.</u>	Motor Vehicle <u>Rs.</u>	Total <u>Rs.</u>
Cost			
Balance as at 31 st March 2016	87,000	-	87,000
Additions during the year	97,810	4,818,580	4,916,390
Balance as at 31 st March 2017	<u>184,810</u>	<u>4,818,580</u>	<u>5,003,390</u>
Accumulated depreciation			
Balance as at 31 st March 2016	1,013	-	1,013
Charge for the year	45,142	396,048	441,189
Balance as at 31 st March 2017	<u>46,155</u>	<u>396,048</u>	<u>442,202</u>
Carrying amount			
As at 31 st March 2017	<u><u>138,655</u></u>	<u><u>4,422,532</u></u>	<u><u>4,561,188</u></u>

As at 31st March

2017 <u>Rs.</u>	2016 <u>Rs.</u>
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9 CAPITAL WORK-IN-PROGRESS

Capital Work-in-Progress		
Machinery & equipment	99,640,520	-
Construction cost and other costs	191,259,366	46,851,111
	<u><u>290,899,886</u></u>	<u><u>46,851,111</u></u>

KANSAI PAINTS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	2017 Rs.	2016 Rs.
10 <u>NON REFUNDABLE LEASE DEPOSIT</u>		
Balance at the beginning of the year	23,818,275	-
Amount paid during the year - Non refundable lease deposit and related expenses	-	24,012,861
Amortised during the year - Non refundable lease deposit and related expenses	(480,257)	(194,586)
	<u>23,338,018</u>	<u>23,818,275</u>
Current portion of the non refundable lease deposit	<u>480,257</u>	<u>480,257</u>
Non-current portion of the non refundable lease deposit	<u>22,857,761</u>	<u>23,338,018</u>
<p>The Company entered into a lease of a land in the Koggala Export Processing Zone for a period of 50 years from 28th of October 2015 and paid a non-refundable deposit amounting to Rs.11,812,900 (including VAT) and an additional payment of Rs.12,199,961 as land tax. The total of these amounts are amortised over the lease period of 50 years.</p>		
11 <u>ADVANCES AND PREPAYMENTS</u>		
Prepaid ground rent	2,409,911	1,941,748
Prepaid house rental - Negombo	520,000	-
Electricity connection deposit	1,500,000	-
Staff advance	839,927	-
	<u>5,269,838</u>	<u>1,941,748</u>
12 <u>OTHER RECEIVABLES</u>		
Value added tax receivable	3,495,512	16,245
Notional tax receivable	201,442	-
Security deposit on electricity connection	180,000	50,000
Other receivables	1,434,000	-
	<u>5,310,954</u>	<u>66,245</u>
13 <u>CASH AND CASH EQUIVALENTS</u>		
Components of cash and cash equivalents comprise of the following:		
Cash in hand	20	20
Cash at bank	12,694,030	24,611,501
	<u>12,694,050</u>	<u>24,611,521</u>
Cash and cash equivalents for the purpose of statement of cash flows:		
Cash and cash equivalents	<u>12,694,050</u>	<u>24,611,521</u>

KANSAI PAINTS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	2017 <u>Rs.</u>	2016 <u>Rs.</u>
14 <u>STATED CAPITAL</u>		
<u>Issued and fully-paid number of shares</u>		
Ordinary shares	500,000,020	100,000,020

Rights, preference and restrictions of classes of capital

The holders of ordinary shares are entitled to receive dividend from time to time and are entitled to one vote per share at meetings of the Company.

15 TRADE AND OTHER PAYABLES

Retention payable	3,840,734	-
Accrued expenses	654,651	90,000
	<u>4,495,384</u>	<u>90,000</u>

16 AMOUNT DUE TO RELATED PARTIES

Kanai Nerolac Paints Limited	2,894,307	-
	<u>2,894,307</u>	<u>-</u>

17 RELATED PARTY TRANSACTIONS

(a) Identity of related parties

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard - LKAS 24 Related Party Disclosures.

(b) Transactions with key management personnel

Key Management Personnel comprise of Directors of the Company.

(i) Loans to directors

There were no loans given to Directors of the Company during the financial period or as at the period end.

(ii) Key management personnel compensation

No compensation was paid to/on behalf of key management personnel of the Company.

Name of the related party	Nature of relationship	Details of transactions	Transactions during the period Rs.	Balance as at 31.03.2017 Rs.
Capital Holdings (Private) Limited	Associate investor	Funds received Repayments made	1,233,578 (1,233,578)	-
Kansai Nerolac Paints Limited	Parent	Consultancy fee	(2,894,307)	(2,894,307)

KANSAI PAINTS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

18 CAPITAL COMMITMENTS

There were no capital commitments as at the reporting date that require adjustments to or disclosure in the financial statements.

19 CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding as at the reporting date that require adjustments to or disclosure in the financial statements.

20 EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

21 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

21.1 Overview

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

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

Risk management framework

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was;

	<u>Note</u>	<u>Carrying amount</u>	
		<u>2017</u>	<u>2016</u>
		<u>Rs.</u>	<u>Rs.</u>
Advances and prepayments	11	5,269,838	1,941,748
Other receivables	12	5,310,954	66,245
Cash at bank	13	12,694,030	24,611,501

KANSAI PAINTS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(ii) **Liquidity risk**

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

The following are the contractual maturities of financial liabilities as at the year end.

As at 31st March 2016	Carrying Amount Rs.	0-6 Months Rs.	6-12 Months Rs.	1-2 Years Rs.	2-5 Years Rs.	More than 5 years Rs.
Financial liabilities (Non-Derivatives)						
Trade and other payables	90,000	90,000	-	-	-	-
Total	90,000	90,000	-	-	-	-
As at 31st March 2017	Carrying Amount Rs.	0-6 Months Rs.	6-12 Months Rs.	1-2 Years Rs.	2-5 Years Rs.	More than 5 years Rs.
Financial liabilities (Non-Derivatives)						
Trade and other payables	4,495,384	654,651	3,840,734	-	-	-
Total	4,495,384	654,651	3,840,734	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iii) **Market risk**

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

Interest rate risk

Interest rate risk is the risk to the company's earnings and economic value of equity ("EVE") arising from adverse movements in interest rates.

KANSAI PAINTS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

21.2 Carrying amount and fair value of financial instruments

Fair values of financial assets and financial liabilities, together with the carrying amounts in the statement of financial position, are as follows:

	Note	Loans and receivables	Available for sale	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
31st March 2016							
Financial assets							
Advances and prepayments	11	1,941,748	-	-	-	1,941,748	1,941,748
Other receivables	12	66,245	-	-	-	66,245	66,245
Cash and cash equivalents	13	-	-	-	-	24,611,521	24,611,521
		2,007,993	-	-	-	26,619,514	26,619,514
Financial liabilities							
Trade and other payables	15	-	-	90,000	-	90,000	90,000
		-	-	90,000	-	90,000	90,000
31st March 2017							
Financial assets							
Advances and prepayments	11	5,269,838	-	-	-	5,269,838	5,269,838
Other receivables	12	5,310,954	-	-	-	5,310,954	5,310,954
Cash and cash equivalents	13	-	-	-	-	12,694,050	12,694,050
		10,580,792	-	-	-	23,274,842	23,274,842
Financial liabilities							
Trade and other payables	15	-	-	4,495,384	-	4,495,384	4,495,384
		-	-	4,495,384	-	4,495,384	4,495,384

21.3 The Company does not have any financial instruments designated at fair value through profit or loss on initial recognition as at 31st March 2017.