Pidilite USA, Inc.

Financial Statements

March 31, 2018 and March 31, 2017

KNAV P.A.

Certified Public Accountants

One Lakeside Commons, Suite 850,

990 Hammond Drive NE, Atlanta, GA 30328

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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, 2018 and March 31, 2017 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, 2018 and March 31, 2017 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, 2018 and March 31, 2017 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
May 10, 2018

Financial Statements

Balance sheets

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

	As at	
	March 31, 2018	**March 31, 2017**
ASSETS		
Current assets		
Cash and cash equivalents	3,995,441	260,218
Accounts receivable, net of allowances	3,766,834	6,144,278
Inventories	7,776,549	8,928,354
Investments	907,562	862,562
Prepaid expenses and other current assets	1,291,429	1,484,640
Total current assets	**17,737,815**	**17,680,052**
Property, plant and equipment, net	1,066,302	1,245,795
Goodwill and other intangibles, net	240,967	1,751,747
Deferred tax assets	382,591	916,224
Total assets	**19,427,675**	**21,593,818**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Line of credit	2,269,274	2,732,034
Accounts payable	1,793,211	2,177,273
Other current liabilities	782,718	1,943,827
Total current liabilities	**4,845,203**	**6,853,134**
Non-current deferred tax liability	13,124	248,932
Total liabilities	**4,858,327**	**7,102,066**
Stockholder's equity		
Common stock	14,780,000	14,780,000
Accumulated deficit	(210,652)	(288,248)
Total stockholder's equity	**14,569,348**	**14,491,752**
Total liabilities and stockholder's equity	**19,427,675**	**21,593,818**

(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, 2018	For the year ended March 31, 2017
Revenues, net of allowances and rebates	16,692,288	23,234,220
Less: cost of revenues	10,933,858	14,345,608
Gross profit	**5,758,430**	**8,888,612**
Operating costs and expenses		
Selling, general and administrative expense	6,021,600	9,721,052
Depreciation and amortization	327,346	268,518
Interest expense	94,315	49,254
Total costs and expenses	**6,443,261**	**10,038,824**
Operating loss	**(684,831)**	**(1,150,212)**
Other income	1,387,117	524,791
Profit (loss) from continuing operations before income tax	**702,286**	**(625,421)**
Current tax expense (benefit)	177,615	(100,234)
Deferred tax expense (benefit)	283,357	(133,888)
Profit (loss) from continuing operations	**241,314**	**(391,299)**
(Loss) profit on discontinued operation, net of tax (including loss on disposal $ 145,405)	**(163,718)**	**525,675**
Net income	**77,596**	**134,376**

(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, 2016	27,000,000	27,000,000	14,780,000	14,780,000	(422,624)	14,357,376
Net income for the year	-	-	-	-	134,376	134,376
Balance as on March 31, 2017	**27,000,000**	**27,000,000**	**14,780,000**	**14,780,000**	**(288,248)**	**14,491,752**
Balance as at 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**

(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, 2018	March 31, 2017
Cash flow from operating activities		
Net income	77,596	134,376
Adjustments to reconcile net income to cash (used in) provided by operating activities		
Depreciation and amortization	327,346	268,518
Interest income	(45,000)	(67,439)
Deferred tax expense (benefit)	283,357	(133,888)
Allowance for bad debts	61,752	185,488
Allowance for slow moving inventory (net of inventory written off)	(507,270)	198,498
Loss on sale of Cyclo division	145,405	-
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(694,120)	2,016,696
Increase in inventories	(367,792)	(758,598)
Decrease (increase) in prepaid expenses and other current assets	260,925	(305,829)
Decrease (increase) in accounts payable	982,940	(1,513,613)
(Increase) decrease in other current liabilities	(823,568)	76,538
Decrease (increase) in deferred taxes	14,468	(51,891)
Net cash (used in) provided by operating activities	**(283,961)**	**48,856**
Cash flow from investing activities		
Purchase of property, plant and equipment	(213,805)	(346,302)
Proceeds from sale of Cyclo division	4,695,750	-
Net cash provided by (used in) investing activities	**4,481,945**	**(346,302)**
Cash flow from financing activities		
Short term line of credit	(462,761)	368,561
Net cash (used in) provided by financing activities	**(462,761)**	**368,561**
Net increase in cash and cash equivalents	3,735,223	71,115
Cash and cash equivalents at the beginning of the year	260,218	189,103
Cash and cash equivalents at the end of the year	**3,995,441**	**260,218**
Supplemental cash flow information		
Interest paid	80,876	79,057
Income taxes paid	21,608	362,414

(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 its 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, 2017 to March 31, 2018. The previous year financial statements are for fiscal year April 1, 2016 to March 31, 2017. The amounts in the notes to the financial statements for the previous year ending March 31, 2017 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 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.

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. *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.

7. *Investments*

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

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.

Prior to January 1, 2017, when conducting its annual goodwill impairment assessment, the Company initially performed a qualitative evaluation of whether it is more likely than not that goodwill was impaired. If it was determined by a qualitative evaluation that it was more likely than not that goodwill was impaired, the Company then applied a two-step impairment test. The two-step impairment test first compared the fair value of the Company's reporting unit to its carrying or book value. If the fair value of the reporting unit exceeded its carrying value, goodwill was not impaired, and the Company was not required to perform further testing. If the carrying value of the reporting unit exceeded its fair value, the Company determined the implied fair value of the reporting unit's goodwill and if the carrying value of the reporting unit's goodwill exceeded its implied fair value, then an impairment loss equal to the difference was recorded in the combined statements of comprehensive loss.

Effective January 1, 2017, the Company prospectively adopted the provisions of Financial Accounting Standards Board ("FASB") issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 eliminates the second step of the goodwill impairment test. For goodwill impairment tests occurring after January 1, 2017, 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. *Change in accounting principle*

As of April 01, 2016, the Company adopted new guidance related to the presentation of deferred taxes in its balance sheet. Under the new guidance, all deferred tax assets, liabilities and related valuation allowances are reported as non-current, depending on the classification of the underlying asset or liability to which the temporary difference relates, or, for loss credit carryforwards, based on when the item was expected to reverse.

12. *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

13. *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.

14. *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.

15. *Recent accounting pronouncements*

Effective October 1, 2015, the Company has adopted Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17 Income taxes (Topic 740): Balance sheet classification of Deferred Taxes. The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as non-current on the balance sheet. The guidance however does not change the existing guidance that prohibits offsetting deferred tax liabilities from one jurisdiction against deferred tax of another jurisdiction. The Company has applied the new guidance retrospectively for all deferred tax assets and liabilities.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, accounting guidance, which removes Step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value of a reporting unit with its carrying amount. Under the simplified model, a goodwill impairment is calculated as the difference between the carrying amount of the reporting unit and its fair value, but not to exceed the carrying amount of goodwill allocated to that reporting unit. Early adoption is permitted. The guidance is effective for public business entities for interim and annual periods beginning after its annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2021. The Company has adopted the FASB issued ASU 2017-04 prospectively thereby eliminating the second step of goodwill impairment.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at	
Particulars	**March 31, 2018**	**March 31, 2017**
Petty cash	197	265
Checking accounts	3,995,244	257,695
Payroll accounts	-	2,258
Total	**3,995,441**	**260,218**

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, 2017: $ 250,000) per depositor at each financial institution.

NOTE C - ACCOUNTS RECEIVABLE

The accounts receivable as at March 31, 2018 are stated net of rebates, allowances for sales return and allowance for doubtful accounts. Accounts receivable as at March 31, 2018 of $ 3,766,834 (March 31, 2017: $ 6,144,278) represent dues from customers of the Company, representing amounts receivable on product sales. The Company maintains an allowance for doubtful accounts and returns on all accounts receivable, 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, 2018 comprises of dues from related parties of $ 294,190 (March 31, 2017: $ 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, 2018**	**March 31, 2017**
Balance at the beginning of the year	705,682	513,191
Add: Provision for the year (net of reversal)	61,752	185,488
Less : Bad debts written off/back	(215,832)	7,003
Balance at the end of the year	**551,602**	**705,682**

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:

	As at	
Particulars	**March 31, 2018**	**March 31, 2017**
Raw materials and packing materials	1,889,069	1,629,645
Work in process	157,026	139,996
Manufactured finished goods	1,449,202	1,242,095
Goods in transit	665,603	373,129
Traded finished goods:		
- Art materials	4,086,214	4,274,138
- Car care products	-	2,247,185
Less: Allowance for slow moving inventory	(470,565)	(977,834)
Total	**7,776,549**	**8,928,354**

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

Particulars	Year ended March 31, 2018	March 31, 2017
Balance at the beginning of the year	977,834	779,336
Add: Reserve created during the year	163,442	416,540
Less: Reserve write back	(557,186)	(4,526)
Less: Inventory written off during the year	(113,525)	(213,516)
Balance at the end of the year	**470,565**	**977,834**

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 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. Interest of $ 45,000 (March 31, 2017: $ 67,439) has been accrued on the promissory notes based on the terms of the notes. Investments as at March 31, 2018 and March 31, 2017 is $ 907,562 and $ 862,562, respectively.

NOTE F - PREPAID EXPENSE AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets comprise the following:

Particulars	As at March 31, 2018	March 31, 2017
Deposit with customs authority	220,525	350,084
Retention money	350,000	-
Advance to vendors	286,256	175,471
Advance taxes	341,084	557,837
Other assets	17,882	32,976
Prepaid expenses	75,682	368,272
Total	**1,291,429**	**1,484,640**

NOTE G - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment comprise the following:

Particulars	As at March 31, 2018	March 31, 2017
Leasehold improvement	184,625	299,285
Machinery and equipment	3,235,455	3,196,720
Office furniture and equipment	373,781	727,596
Vehicles	23,465	23,465
Total*	**3,817,326**	**4,247,066**
Less: Accumulated depreciation	(2,751,024)	(3,001,271)
Property, plant and equipment, net	**1,066,302**	**1,245,795**

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 year by way of an Asset Purchase Agreement (refer Note P).

Depreciation expense for the year is $ 274,944 (March 31, 2017: $ 217,166).

NOTE H - GOODWILL AND OTHER INTANGIBLES, NET

Goodwill and other intangibles comprise the following:

	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**

	As at March 31, 2017		
Particulars	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Trademark*	2,969,497	(2,150,859)	818,638
Goodwill	927,834	-	927,834
Software licenses	357,949	(352,674)	5,275
Non-compete	60,000	(60,000)	-
Total	**4,315,280**	**(2,563,533)**	**1,751,747**

*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.

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Intangible amortization expense for the year is $ 52,402 (March 31, 2017: $ 51,352). 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
2019	57,916
2020	51,352
2021	51,352
2022	9,989
2023	-
Total	**170,609**

NOTE I - LINE OF CREDIT

The Company has a working capital facility line of credit with a bank with a maximum permissible limit of $ 6,000,000 (March 31, 2017: $ 6,000,000). As at March 31, 2018 the Company has made withdrawals to the tune of $ 2,269,274 (March 31, 2017: $ 2,732,034). Interest on the line of credit is payable at LIBOR plus 2.25% per annum, calculated at monthly intervals. The weighted average rate of interest for the year ended March 31, 2018 was 3.6% per annum (March 31, 2017: 3.1% per annum). As of March 31, 2018, the applicable rate of interest on the outstanding line of credit was 4.13% per annum (March 31, 2017: 3.23% per annum).

The line of credit to the extent of $ 6,000,000 is secured against all receivables, inventory and other assets. Total interest expense on the line of credit for the year ended March 31, 2018 is $ 80,876 (March 31, 2017: $ 79,057).

NOTE J - OTHER CURRENT LIABILITIES

Other current liabilities comprise of the following:

	As at	
Particulars	**March 31, 2018**	**March 31, 2017**
Accrued expenses	230,799	697,519
Accrued salaries	90,054	51,775
Advance from customers	80,856	569,920
Payable to associate companies	35,764	155,208
Bonus payable	57,842	78,000
Accrued vacation pay	24,079	54,108
Accrued interest	6,191	5,763
Accrued legal expenses	31,000	50,771
Accrued taxes	226,133	280,763
Total	**782,718**	**1,943,827**

NOTE K - ADVERTISING AND SALES PROMOTION COST

During the year ended March 31, 2018, the Company incurred $ 644,184 (March 31, 2017: $ 1,458,800) on non-response advertising and sales promotions.

NOTE L - OTHER INCOME

Other income comprises of:

Particulars	For the year ended March 31, 2018	March 31, 2017
Research and development fees	1,327,807	452,826
Interest on Optmed investment	45,000	67,438
Other	14,310	4,527
Total	**1,387,117**	**524,791**

NOTE M - INCOME TAXES

Income tax expense (benefit) is as follows:

Particulars	For the year ended March 31, 2018	March 31, 2017
State		
Current	(563)	(14,892)
Deferred	91,073	(31,791)
Federal		
Current	184,084	300,542
Deferred	206,754	(153,987)
Total tax expense	**481,348**	**99,872**
Less: Taxes for discontinued operation	(20,376)	(333,994)
Total tax expense (benefit) of continued operations	**460,972**	**(234,122)**

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, 2018	March 31, 2017
Income tax at federal rate	82,751	49,562
State tax, net of federal effect	89,230	(51,690)
Return to provision	190,565	81,442
Permanent differences	67,916	20,558
Change in tax rate	50,888	-
Total	**481,348**	**99,872**

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

Particulars	For the year ended March 31, 2018	March 31, 2017
Deferred tax asset		
Accounts receivable	130,416	266,441
Inventories	366,791	756,627
Accrued bonus	13,676	29,450
Accrued expenses	-	31,338
Net operating losses	56,086	128,597
Intangibles other than goodwill	2,406	14,045
Total	**569,375**	**1,226,498**
Less: Valuation allowance	-	-
Total deferred tax asset	**569,375**	**1,226,498**

Deferred tax liability		
Property and equipment	186,784	310,274
Deferred tax liability	**186,784**	**310,274**
Non-current deferred tax asset, net	**382,591**	**916,224**
Deferred tax liability		
Goodwill	13,124	248,932
Non-current deferred tax liability	**13,124**	**248,932**

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 $ 13,124 (March 31, 2017: $ 248,932) 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 Tax Cuts and Jobs Act decreased the corporate tax rate to 21 percent, effective January 1, 2018. The decrease in tax rate has resulted in change in deferred tax liabilities by $ 123,307.

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 2014 through 2016 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

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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, 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**
Transactions for the year ended March 31, 2017			
Purchases	689,289	-	**689,289**
Royalty expense	-	257,696	**257,696**
Legal fees paid	-	29,200	**29,200**
Service fees	452,826	-	**452,826**
Expense reimbursement	259,064	-	**259,064**
Allocation fees	2,667	-	**2,667**
Balances as at March 31, 2017			
Accounts receivable	231,242	-	**231,242**
Accounts payable	177,139	49,143	**226,282**
Other payable	130,937	24,271	**155,208**
Purchases	689,289	-	**689,289**

NOTE O - COMMITMENTS AND CONTINGENCIES

a) Operating leases

The Company leases office space at Hazleton manufacturing and warehousing facilities and office equipment under cancelable and non-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 $ 395,615 (March 31, 2017: $ 511,781) for the year ended March 31, 2018.

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, 2019	81,798	-

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 payment of initial consideration of $ 4,695,750 out of total consideration of $ 5,045,750. The balance of $ 350,000 is held back as retention money in escrow account and will be 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 taxes 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, 2018 is $ 76,140 (March 31, 2017: $ 98,548).

NOTE R - PRODUCT RECALL EXPENSES

During the financial year 2016-17, the Company had done a voluntary recall based on routine product quality control inspections and thereby recalled 2.8 million units of arts and crafts tempera and finger paints manufactured and distributed by Sargent Arts division. The recall involves 13 types of Sargent Art tempera and finger paints manufactured and distributed between May 01, 2015 and June 10, 2016. The selling, general and administrative expenses include expenses pertaining to the recall exercise of $ 3,800,000, as summarized below:

Particulars	Amount US$
Sales return from customers	1,108,278
Inventory written off	1,234,508
Refund claim, legal and other expenses	1,383,741
Additional provision	73,473
Total	**3,800,000**

During the financial year 2017-18, the Company incurred additional cost of $ 36,580 as a result of above product recall.

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NOTE S - 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 account accounted for 17% and 12% revenues for the years ended March 31, 2018 and March 31, 2017, respectively. The Company's two customers accounted for 31% and 25% of the accounts receivable as at March 31, 2018 and March 31, 2017, respectively

NOTE T - STOCKHOLDER'S EQUITY

The authorized share capital of the Company is 27,000,000 (March 31, 2017: 27,000,000 common shares) common shares of a par value of $ 1 each. The Company has issued 14,780,000 (March 31, 2017: 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 U - SUBSEQUENT EVENTS

These financial statements considered subsequent events through May 10, 2018, the date the financial statements were available to be issued.

Appendix A – Supplementary information

1. **Property, plant and equipment, net**

Particulars	Machinery and equipment	Office equipment	Leasehold improvements	Vehicles	Total
Gross block					
As at April 01, 2016	2,686,589	687,760	297,135	23,465	3,694,949
Additions during the year	510,131	39,836	2,150	-	552,117
Deletions during the year	-	-	-	-	-
As at March 31, 2017 (A)	**3,196,720**	**727,596**	**299,285**	**23,465**	**4,247,066**
As at April 01, 2017	3,196,720	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 (C)	**3,235,455**	**373,781**	**184,625**	**23,465**	**3,817,326**
Accumulated depreciation					
As at April 01, 2016	1,891,520	608,083	204,807	23,465	2,727,875
Charge for the year	207,481	32,346	33,569	-	273,396
Disposal	-	-	-	-	-
As at March 31, 2017 (C)	**2,099,001**	**640,429**	**238,376**	**23,465**	**3,001,271**
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 (D)	**2,281,140**	**316,442**	**129,977**	**23,465**	**2,751,024**
Net block					
As at March 31, 2017 (A-B)	**1,097,719**	**87,167**	**60,909**	**-**	**1,245,795**
As at March 31, 2018 (C-D)	**954,315**	**57,339**	**54,648**	**-**	**1,066,302**

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2. Goodwill and intangibles, net

Particulars	Trademark	Goodwill	Software	Non-compete	Total
Gross block					
As at April 01, 2016	2,969,497	927,834	357,949	60,000	4,315,280
Additions during the year	-	-	-	-	-
Deletions during the year	-	-	-	-	-
As at March 31, 2017 (A)	**2,969,497**	**927,834**	**357,949**	**60,000**	**4,315,280**
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 (C)	**770,281**	**70,358**	**30,865**	**50,000**	**921,504**
Accumulated depreciation					
As at April 01, 2016	1,956,345	-	346,251	60,000	2,362,596
Charge for the year	194,514	-	6,423	-	200,937
Disposal	-	-	-	-	-
As at March 31, 2017 (B)	**2,150,859**	**-**	**352,674**	**60,000**	**2,563,533**
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 (D)	**606,236**	**-**	**24,301**	**50,000**	**680,537**
Net block					
As at March 31, 2017 (A-B)	**818,638**	**927,834**	**5,275**	**-**	**1,751,747**
As at March 31, 2018 (C-D)	**164,045**	**70,358**	**6,564**	**-**	**240,967**

3. Bifurcation of inventory allowance for slow moving items

Classes of inventory	As at March 31, 2018	As at March 31, 2017
Raw material	34,559	19,069
Packing material	144,261	114,521
Intermediate items	24,441	35,075
Finished goods – mfg.	27,038	52,451
Finished goods – trading	240,266	756,718
Total	**470,565**	**977,834**

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	186,784	310,274
Intangible assets - goodwill	13,124	248,932
Tax effect of items constituting deferred tax liabilities	**199,908**	**559,206**
Tax effect of items constituting deferred tax assets		
Provision for doubtful debts	130,416	266,441
Inventory & Inventory reserve	366,791	756,627
Intangibles other than goodwill	2,406	14,045
Accrued bonus	13,676	29,450
Accrued expenses	-	31,338
Net operating losses	56,086	128,597
Tax effect of items constituting deferred tax assets	**569,375**	**1,226,498**
Total net deferred tax assets	**369,467**	**667,292**

Movement in deferred tax liability:

Particulars	Property, plant and equipment	Intangible assets - goodwill	Total
Balance as on April 1, 2016	302,712	217,102	519,814
(Charged)/Credited :			
to Profit or loss	7,562	31,830	39,392
to other comprehensive income	-	-	-
deferred tax on basis adjustment	-	-	-
Balance as on March 31, 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**

Movement in deferred tax assets:

Particulars	Provision for doubtful debts	Inventory	Inventory reserve	Intangibles other than Goodwill	Accrued bonus	Accrued expenses	Net operating losses	Total
Balance as on April 1, 2016	186,483	340,189	283,194	16,225	46,876	727	127,633	1,001,327
(Charged)/Credited :								-
to Profit or loss	79,958	47,243	86,001	(2,180)	(17,426)	30,611	964	225,171
to other comprehensive income	-	-	-	-	-	-	-	-
deferred tax on basis adjustment	-	-	-	-	-	-	-	-
Balance as on March 31, 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**

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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, 2018	Year ended March 31, 2017
Profit before tax from continuing operations	**702,286**	**(625,421)**
Income tax expense calculated at 21% (2016: 34%)#	147,480	(212,643)
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	24,966	(16,653)
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	(38,953)	100,462
Changes in estimates related to prior years	-	-
Unrecognized AMT Credit	-	-
Unrecognized foreign tax Credit	-	-
State taxes	5,806	9,719
	177,612	**(119,115)**
Adjustments recognized in the current year in relation to the current tax of prior years	-	18,881
Income tax expense recognized in profit or loss from continuing operations	**177,612**	**(100,234)**

#The tax rate used for March 31, 2018 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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