ASIAN PAINTS (LANKA) LIMITED

Independent Auditors' Report

To the Shareholders of Asian paints (lanka) limited

Report on the Financial Statements

We have audited the accompanying financial statements of Asian Paints (Lanka) Limited, ("the Company"), which comprise the statement of financial position as at March 31, 2015, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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.

Chartered Accountants
KPMG Ford Rhodes & Thornton Co.

Colombo
27 April 2015

Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 March, 2015

	Notes	2015 Rs.	2014 Rs.
Revenue	5	1,916,286,274	1,833,668,132
Cost of sales		(1,443,200,063)	(1,364,065,542)
Gross profit		**473,086,211**	**469,602,590**
Other operating income	6	14,850,951	17,309,203
Personnel expenses		(140,191,577)	(119,571,265)
Administrative expenses		(91,374,334)	(86,645,414)
Selling & distribution Expenses		(289,941,455)	(261,187,611)
Profit/(Loss) from operating activities	7	**(33,570,204)**	**19,507,503**
Net finance expenses	8	(5,710,091)	(10,610,575)
Profit/(Loss) before taxation		**(39,280,295)**	**8,896,928**
Income tax expense	9	(5,419,132)	(17,755,371)
Loss for the year		**(44,699,427)**	**(8,858,443)**
Other comprehensive income for the year			
Actuarial gain on defined benefit plans		1,612,807	-
Related tax		(451,586)	-
Total other comprehensive income for the year		**1,161,221**	
Total comprehensive income for the year		**(43,538,205)**	**(8,858,443)**
Basic loss per share	10	**(0.58)**	**(0.11)**

The annexed notes to the financial statements form an integral part of these financial statements.

Statement of Financial Position

As at 31 March, 2015

	Notes	2015 Rs.	2014 Rs.
ASSETS			
Property, plant and equipment	11	228,738,657	238,197,167
Total non current assets		**228,738,657**	**238,197,167**
Inventories	13	295,205,861	411,674,440
Trade and other receivables	14	675,272,733	650,485,116
Deposits and prepayments		14,955,223	10,943,696
Cash and cash equivalents	15	83,368,987	109,817,981
Total current assets		**1,068,802,804**	**1,182,921,233**
TOTAL ASSETS		**1,297,541,461**	**1,421,118,400**
EQUITY			
Stated capital	16	785,890,768	785,890,768
Capital reserve	17	50,800,363	50,800,363
General reserve		5,250,000	5,250,000
Accumulated losses		(182,869,883)	(139,331,678)
Total equity		**659,071,248**	**702,609,453**
Employee benefits	18	28,806,530	24,053,494
Deferred taxation	12	7,115,085	13,650,498
Total non current liabilities		35,921,615	37,703,992
Trade and other payables	19	426,545,038	440,451,841
Amount due to related parties	20	25,788,588	17,614,613
Current taxation	21	32,245,712	34,048,730
Bank overdraft	15	117,969,260	188,689,771
Total current liabilities		**602,548,598**	**680,804,955**
Total Liabilities		**638,470,213**	**718,508,947**
TOTAL EQUITY AND LIABILITIES		**1,297,541,461**	**1,421,118,400**

The annexed notes to the financial statements form an integral part of these financial statements.
These financial statements are in compliance with the requirements of Companies Act No 7 of 2007.

Finance manager

The Board of Directors are responsible for the preparation of these Financial Statements.
Approved and signed for and on behalf of the Board:

Jacob Kuruvilla
Director / GM
27 April 2015
Colombo

I K Jaiswal
Director

Statements of Changes in Equity

For the year ended 31st March 2015

	Stated capital	Capital reserve	General reserve	Accumulated losses	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2013	785,890,768	50,800,363	5,250,000	(130,473,235)	711,467,896
Loss for the year	-	-	-	(8,858,443)	(8,858,443)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(8,858,443)	(8,858,443)
Balance as at 31 March 2014	**785,890,768**	**50,800,363**	**5,250,000**	**(139,331,678)**	**702,609,453**
Balance as at 1 April 2014	785,890,768	50,800,363	5,250,000	(139,331,678)	702,609,453
Loss for the year	-	-	-	(44,699,427)	(44,699,427)
Other comprehensive income for the year	-	-	-	-	-
- Actuarial gain on defined benefit plans				1,161,221	1,161,221
Total comprehensive income for the year	-	-	-	(43,538,205)	(43,538,205)
Balance as at 31 March 2015	**785,890,768**	**50,800,363**	**5,250,000**	**(182,869,883)**	**659,071,248**

Capital reserve

Capital reserve consists of revaluation reserve of ₹ 47.9 Mn.There has been no movement in the revaluation reserve balance since year ended 1999 as described in Note 17 to the financial statements.

General reserve

The Company transfers the surplus profit,afetr payment of dividends proposed,from the retained earnings account to the General Reserve account.The purpose of setting up the General Reserve account.The purpose of setting up the General Reserve is to meet potential future unknown liabilities.

The annexed notes to the financial statements form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31st March 2015

	2015 Rs.	2014 Rs.
Cash flow from operating activities		
Profit/(Loss) before taxation	(39,280,295)	8,896,928
Adjustment for:		
Depreciation	39,645,536	40,834,803
Loss on impairment of assets	-	379,772
Provision for bad and doubtful debts	9,688,789	3,645,483
Provision for stock	36,971,167	2,803,358
Provisions for other expenses	-	9,810,071
Provision for gratuity	6,102,261	5,217,233
Provision for leave encashment	1,604,467	-
Provision for sick leave	1,810,979	-
Net finance expenses	5,710,091	10,610,573
Gain on disposal of PPE	(201,125)	-
Operating profit before working capital changes	**62,051,870**	**82,198,221**
Decrease (Increase) in inventories	79,497,412	(121,160,771)
Increase in trade and other receivables	(34,476,406)	(141,483,731)
Decrease /(Increase) in deposits and prepayments	(4,011,527)	6,005,304
Increase/ (Decrease) in trade and other payables	(15,701,350)	53,044,701
Increase in amount due to related parties	8,173,975	-
Cash generated from/(used in) operations	**95,533,974**	**(121,396,276)**
Gratuity paid	(838,236)	(367,033)
Leave encashment paid	(519,080)	-
ESC paid	-	(4,191,634)
Current tax paid	(14,209,109)	(9,423,728)
Net cash generated from/(used in) operations	**79,967,549**	**(135,378,671)**
Cash flow from investing activities		
Finance expenses paid	(5,710,091)	(10,610,573)
Purchase of Property,plant & equipment	(30,187,430)	(24,805,141)
Cash proceeds for PPE disposal	201,489	-
Net cash used in investing activities	**(35,696,032)**	**(35,415,714)**
Cash flow from financing activities	-	-
Net cash from financing activities	-	-
Net decrease in cash & cash equivalents	44,271,517	(170,794,385)
Cash & cash equivalents at the beginning of the year	(78,871,790)	91,922,595
Cash & cash equivalents at the end of the year (Note 15)	**(34,600,273)**	**(78,871,790)**

The annexed notes to the financial statements form an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 31st March 2015

1. REPORTING ENTITY

1.1.1 Reporting Entity

Asian Paints (Lanka) Limited, ("the Company") is a limited liability company incorporated and domiciled in Sri Lanka. The address of the Company's registered office is No. 81, Koralawella Road, Moratuwa.

1.1.2 Principal Activities

The principal activities of the Company continued to be manufacturing and selling of paints.

There have been no significant changes to these principal activities during the financial year.

1.1.3 Number of employees

The number of employees of the Company as at 31st March 2015 was 136 (2014: 147).

1.1.4 Parent Entity and Ultimate Parent

Asian Paints (International) Limited owns 99.18% shareholding in the Asian Paints (Lanka) Limited and Asian Paints (India) Limited owns 100% shareholding in Asian Paints (International) Limited.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act No 7 of 2007 and amendments thereto.

The financial statements were authorised for issue by the Board on 27 April 2015.

2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- The defined benefit obligation is recognised on its present value as explained in Note 3.7.3.

2.3 Functional and presentation currency

These financial statements are presented in Sri Lanka rupees, which is the Company's functional currency.

2.4 Use of Estimate and Judgment

The preparation of the Financial Statements in conformity with SLAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Current tax (Note 3.12.1)
- Deferred tax (Note 3.12.2)
- Employee Benefits (Note 3.7.3)
- Provisions (Note 3.6)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.2 Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: loans and receivables and available-for- sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, receivables from related parties and cash and equivalents.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the non-derivative financial asset categories. The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the available for sale financial assets reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings, trade and other payables and payable to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3.3 Property, plant and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Buildings	Over 30 years
Plant & Machinery	Over 10 years
Laboratory Equipment	Over 10 years
Factory, Stores & Office Equipment	Over 05 years
Computers	Over 04 years
Colour World Machines	Over 09 years
Furniture & Fittings	Over 08 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Impairment of Property, Plant and Equipment

The carrying value of Property Plant and Equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognized in profit or loss unless it reverses a previous revaluation surplus for the same asset.

Capital Work In Progress

Capital expenses incurred during the year which are not completed as at the reporting date are shown as Capital Work – In – Progress whilst, the Capital assets which have been completed during the year and put to use have been transferred to Property, Plant and Equipment.

3.4 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of each category of inventory is based on the following

Raw Material	:	Based on the weighted average cost price and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.
Work - in – Progress	:	At the Cost of raw material and appropriate portion of the production overhead based on normal operating capacity.
Finished Goods	:	At raw material cost and packing materials, which include direct expenditure and production overhead on normal operating capacity.
Packing Material	:	Based on the weighted average cost price and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition
Spares, stores & accessories	:	Cost of inventory comprises all costs of purchase, duties, and taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventory to their present location and condition.

Full provisions made for obsolete and slow moving items over 365 days.

3.5 Impairment

3.5.1 Financial assets (including receivables)

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at specific asset level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.5.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss.

LIABILITIES AND PROVISIONS

3.6 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.7 Employee benefits

3.7.1 Short-term 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.

3.7.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognized as an expense in Statement of Comprehensive Income when incurred.

3.7.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 – Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability recognized in the Statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date.

As required by the Sri Lanka Accounting Standards 19 – Employee Benefits (LKAS 19), the Company applies the actuarial valuation method to contribute for Retirement Gratuity based on Projected Unit Credit method as recommended by LKAS 19.

With the adoption of revised Employee Benefits LKAS -19 which became effective from 1 January 2013, the re - measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised in Other comprehensive income.

The past service cost is recognised as an expense on a straight-line basis over the period until the benefits became vested. If the benefits are already vested following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

STATEMENT OF COMPREHENSIVE INCOME

3.8 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue 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 trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

3.8.1 Sale of Goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer; with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

3.8.2 Exchange of Goods

When goods are exchanged for those with similar nature and value, the exchange is not regarded as a transaction, which generates revenue. When exchanges are made with dissimilar goods or services the exchange is recognized as revenue measured at fair value of the goods received, adjusted by the amount of any cash or cash equivalents transferred.

3.9 Expenditure recognition

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to profit or loss in arriving at the profit or loss for the year.

3.10 Finance income and expenses

Interest income and expenses are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

3.11 Borrowing costs

All borrowing costs are recognized as an expense in the period in which they are incurred except those that are directly attributable to the construction or development of property, plant and equipment which are capitalized as a part of the cost of that asset during the period of construction or development.

3.12 Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity, or in other comprehensive income.

3.12.1 Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3.12.2 Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.13 Statement of Cash Flows

The Statement of Cash Flow has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Statement of Cash Flows.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

A number of new standards and amendments to standards which have been issued but not yet effective as at the reporting date have not been applied in preparing these Financial Statements. Accordingly, these Accounting Standards have not been applied in preparing these financial statements.

The new standards given below are not expected to have a significant impact on the Company's financial statements.

SLFRS 9 Financial Instruments

SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de recognition of financial instruments from LKAS 39.

Effective date of IFRS 9 is 1st January 2018.

SLRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, and LKAS 11 Construction Contacts.

SLFRS 15 is effective for annual reporting periods beginning on or after 01st January 2017

The following new or amended standards are not expected to have an impact of the Company's financial statements.

- SLFRS 14 Regulatory Deferral Accounts – effective from 01st January 2016
- Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41) – effective from 01st January 2016

Notes to the Financial Statements
For the year ended 31st March 2015

5. Revenue

	2015 Rs.	2014 Rs.
Local sales	1,850,089,660	1,821,363,688
Export sales	64,917,839	12,054,008
RM/PM/ Accessories sales	1,278,775	250,436
	1,916,286,274	**1,833,668,132**

Revenue comprises the invoiced value of goods dispatched and accepted by the customers outside the group during the year and there were no sales within the group.

6. Other operating income

	2015 Rs.	2014 Rs.
Rental of colour world machine (Note 6.1)	6,778,137	9,282,400
Sale of scrap	5,869,057	6,070,392
Sundry income	2,002,632	1,956,411
Gain on disposal of PPE	201,125	-
	14,850,951	**17,309,203**

6.1 This rental arised as a result of renting out colour world machines to dealers

7. Profit from operations

The Profit from Operations is stated after charging all expenses including the following:

	2015 Rs.	2014 Rs.
Director's emoluments	14,153,610	16,381,435
Depreciation	39,645,536	40,834,803
Auditors remuneration	495,000	450,000
Royalty expense (Note 7.1)	15,891,371	15,815,303
Provision for doubtful debtors	9,688,789	3,645,483
Provision for gratuity	6,102,261	5,217,233
Loss on impairment of assets	-	380,332

7.1 The Company pays a royalty fee of 1% of the incremental sales over the base sales to Asian Paints Limited (India) and E.I.du Pont de Memoura & Company as per the agreement entered on 1st April 2013.

Notes to the Financial Statements

For the year ended 31st March 2015

8. Net finance expenses

	2015 Rs.	2014 Rs.
Finance income		
Interest income	56,940	27,849
Net foreign exchange gains	3,968,167	-
	4,025,107	27,849
Finance expenses		
Interest on short term funds	3,524,905	1,847,419
Interest expense	-	-
Bank charges	5,247,169	6,073,772
Net foreign exchange loss	963,124	2,717,233
	9,735,198	**10,638,424**
	5,710,091	**10,610,575**

9. Income tax expense

	2015 Rs.	2014 Rs.
Current taxation on profits for the year	12,406,131	11,727,193
Deferred tax originating during the year (Note 12)	(6,986,999)	6,028,178
	5,419,132	**17,755,371**

9.1 In terms of provision of Inland Revenue Act No.10 of 2006 and amendments thereto, the Company is liable for income tax at 28%.

9.2 Reconciliation of effective tax rate

		2015 Rs.		2014 Rs.
Loss for the year		(44,699,427)		(8,858,443)
Income tax expenses		5,419,132		17,755,371
Profit before taxation		(39,280,295)		8,896,928
Tax on profit on export sales at 12%	12%	183,676	1%	45,444.10
Tax using the domestic corporation tax rate 28%	29%	(11,427,060)	28%	2,491,139.84
Net non-deductible expenses	-60%	23,649,516	108%	9,621,136.01
Tax exempt income	0%	-	0%	-
Utilisation of tax losses	0%	-	-5%	(406,815.89)
Origination/(reversal) of temporary differences	18%	(6,986,999)	68%	6,049,911.04
	0%	-	0%	-
Total tax expense	**-14%**	**5,419,132**	**200%**	**17,755,371**

10. Basic loss per share

The basic loss per share is calculated based on the net loss attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue as at the reporting date.

	2015 Rs.	2014 Rs.
Loss for the year attributable for ordinary shareholders (Rs.)	(44,699,427)	(8,858,443)
Number of ordinary shares	77,700,188	77,700,188
Basic loss per share (Rs.)	**(0.58)**	**(0.11)**

Dilutive Earnings Per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted Earnings Per Share is same as Basic Earnings Per Share shown above.

Notes to the Financial Statements

For the year ended 31st March 2015

11. Property, plant and equipment

	Freehold land	Building	Plant & machinery	Office equipment	Furniture & fittings	Lab equipment	Computers	Tinting machine	WIP	Total 2015	Total 2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost											
Balance as at 1 April	32,277,655	58,695,168	151,627,423	5,090,488	15,301,509	8,459,983	36,577,822	175,270,982	4,906,511	488,207,541	471,375,541
Additions during the year	-	266,350	3,039,701	620,020	309,391	144,950	6,452,343	11,230,353	30,187,430	52,250,538	24,805,141
Written off during the year	-	-	-	-	-	-	-	(654,808)	-	(654,808)	(7,972,755)
Transfers	-	-	-	-	-	-	-	-	(22,063,108)	(22,063,108)	-
Balance as at 31 March	**32,277,655**	**58,961,518**	**154,667,124**	**5,710,508**	**15,610,900**	**8,604,933**	**43,030,165**	**185,846,527**	**13,030,833**	**517,740,163**	**488,207,927**
Accumulated Depreciation											
Balance as at 1 April	-	14,069,994	93,169,407	3,848,732	7,299,119	5,519,325	33,570,082	92,533,715	-	250,010,374	216,768,583
Charge for the year	-	2,147,640	11,116,102	677,154	1,638,893	484,409	1,681,844	21,899,494	-	39,645,536	40,834,803
Written off during the year	-	-	-	-	-	-	-	(654,404)	-	(654,404)	(7,592,626)
Balance as at 31 March	-	16,217,634	104,285,509	4,525,886	8,938,012	6,003,734	35,251,926	113,778,805	-	289,001,506	250,010,760
Carrying value											
As at 31 March 2015	**32,277,655**	**42,743,884**	**50,381,615**	**1,184,622**	**6,672,888**	**2,601,199**	**7,778,239**	**72,067,722**	**13,030,833**	**228,738,657**	
As at 31 March 2014	32,277,655	44,625,174	58,458,016	1,241,756	8,002,390	2,940,658	3,007,740	82,737,267	4,906,511		238,197,167

Notes to the Financial Statements

For the year ended 31st March 2015

12. Deferred taxation

	2015 Rs.	2014 Rs.
Deferred tax liability / (asset)		
Deferred tax liability (Note 12.1)	25,582,078	21,599,337
Deferred tax asset (Note 12.2)	(18,466,994)	(7,948,839)
	7,115,085	**13,650,498**
The movements on the deferred tax account is as follows:		
12.1 Deferred tax liability		
Balance at the beginning of the year	21,599,337	14,167,000
Origination during the year	3,982,741	7,432,000
Balance at the end of the year	**25,582,078**	**21,599,337**
12.2 Deferred tax asset		
Balance at the beginning of the year	7,948,839	6,734,978
Origination during the year	10,969,740	1,213,861
Origination during the year - recognised in Other comprehensive income	(451,586)	-
Balance at the end of the year	**18,466,994**	**7,948,839**

Deferred tax assets and liabilities are attributable to the following:

	2015		2014	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Deferred tax liabilities				
Property, plant and equipment	91,364,565	25,582,078	77,140,490	21,599,337
Deferred tax assets				
Employee benefits	(28,806,530)	(8,065,828)	(24,053,493)	(6,734,978)
Other provisions (Note 12.3)	(37,147,019)	(10,401,165)	(4,335,218)	(1,213,861)
	25,411,016	**7,115,084**	**48,751,779**	**13,650,498**

Note 12.3

During the year Company has recognized deferred tax asset against specific provision made in relation to slow moving/ obsolete inventory, long outstanding trade debtors and promotional expenses.

13. Inventories

	2015 Rs.	2014 Rs.
Raw materials	138,168,438	208,388,061
Work in progress	6,513,308	6,202,004
Finished goods	193,939,403	202,405,836
Packing materials	7,783,382	8,977,910
Spare parts and others	1,575,093	1,503,225
	347,979,624	427,477,036
Provision for obsolete stock	(52,773,763)	(15,802,596)
	295,205,861	**411,674,440**

Notes to the Financial Statements
For the year ended 31st March 2015

14. Trade and other receivables

	2015 Rs.	2014 Rs.
Trade debtors	684,363,986	662,864,788
Less: Provision for impairment	(14,125,496)	(21,771,085)
	670,238,490	641,093,703
Other receivables	5,034,243	9,391,413
	675,272,733	**650,485,116**

15. Cash and cash equivalents

	2015 Rs.	2014 Rs.
Cash at bank	82,543,653	109,074,651
Cash in hand	825,334	743,330
Cash and cash equivalents	**83,368,987**	**109,817,981**
Bank overdrafts	(117,969,260)	(188,689,771)
Cash & cash equivalents for the purpose of cash flow statement	**(34,600,273)**	**(78,871,790)**

16. Stated capital

	2015 Rs.	2014 Rs.
77,700,188 Ordinary Shares	785,890,768	785,890,768
	785,890,768	**785,890,768**

17. Capital reserves

	2015 Rs.	2014 Rs.
Capital reserves	2,862,171	2,862,171
Revaluation reserve (Note 16.1)	47,938,192	47,938,192
	50,800,363	**50,800,363**

Note 17.1

The Revaluation Reserve of Rs 47,938,192 relates to the revaluation carried out prior to 1999, before the Company was acquired by Asian Paints International Limited. In accordance with the group's policy of Asian Paints International Limited, the parent, the Company adopted the cost model for measurement of Property, plant and equipment (PPE), from the date the Company was acquired by the parent and since then there has been no revaluation of PPE. Accordingly, there are no movement in the revaluation reserve.The said revaluation reserve will be transferred to retained earnings when the related Land & building are disposed.

Notes to the Financial Statements

For the year ended 31st March 2015

18. Employee benefits

18.1 Defined contribution plans

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

	2015 Rs.	2014 Rs.
Employees' Provident Fund		
Employers' contribution	10,665,807	8,244,881
Employees' contribution	7,110,538	5,496,587
Employees' Trust Fund	3,239,286	1,820,849
18.2 Defined benefit plan		
Balance at the beginning of the year	24,053,494	19,203,293
Provision for the year (Note 18.2.1)	6,102,261	5,217,201
Actuarial gain during the year (Note 18.2.2)	(510,989)	-
Payments made during the year	(838,236)	(367,000)
Balance at the end of the year	**28,806,530**	**24,053,494**

Up to year 2014, the Company used internally generated model which is recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits" to make a reliable estimate of the amount of retirement benefit.This year the Company has obtained actuarial valuation carried out by Mr.Saket Singhal of Singhal Associates using the Projected Unit Credit method.

	2015 Rs.	2014 Rs.
18.2.1 Provision recognized in the Statement of comprehensive income		
Current service cost	3,939,945	3,296,873
Interest on obligation	2,162,316	1,920,328
	6,102,261	5,217,201
18.2.2 Provision recognized in the Statement of other comprehensive income		
Actuarial gain during the year	510,989	-
18.3 The principal assumptions used in determining the cost of employee benefits were as follows;		
Discount rate	9.55%	10%
Future salary increment rate	11%	9%
Retirement age is 55 years	55 years	55 years

19. Trade and other payables

	2015 Rs.	2014 Rs.
Trade payables	178,569,513	278,142,719
VAT payable	17,326,292	-
Accrued expenses & other payables	172,419,936	110,693,953
CW deposits received	52,099,531	47,279,951
Leave encashment provision (Note 19.1)	5,150,662	4,335,218
Sick leave provision (Note 19.2)	979,104	-
	426,545,038	**440,451,841**

19.1. Provision for leave encashment

19.2 Defined benefit plan

	2015 Rs.	2014 Rs.
Balance at the beginning of the year	4,335,218	-
Provision for the year (Note 19.1.1)	1,604,467	4,335,218
Actuarial gain during the year (Note 19.1.2)	(269,943)	-
Payments made during the year	(519,080)	-
Balance at the end of the year	**5,150,662**	**4,335,218**

An actuarial valuation was carried for leave encashment liability as at March 31, 2015 by Mr. Saket Singhal of Singhal Associates, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard, LKAS 19 on "Employee Benefits".

19.1.1 Provision recognized in the Statement of comprehensive income

	2015 Rs.	2014 Rs.
Current service cost	1,172,097	4,335,218
Interest on obligation	432,370	
	1,604,467	**4,335,218**

19.1.2 Provision recognized in the Statement of other comprehensive income

	2015 Rs.	2014 Rs.
Actuarial gain during the year	**(269,943)**	-

19.1.3 The principal assumptions used in determining the cost of leave encashment were as follows;

Discount rate	9.55%	10%
Future salary increment rate	11%	9%
Retirement age is 55 years	55 years	55 years

19.2 Provision for sick leave

	2015 Rs.	2014 Rs.
19.2.1 Defined benefit plan		
Balance at the beginning of the year	-	-
Provision for the year (Note 19.2.1)	1,810,979	-
Actuarial gain during the year (Note 19.2.2)	(831,875)	-
Payments made during the year	-	-
Balance at the end of the year	**979,104**	-

An actuarial valuation was carried for sick leave liability as at March 31, 2015 by Mr.Saket Singhal of Singhal Associates, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard, LKAS 19 on "Employee Benefits".

Notes to the Financial Statements
For the year ended 31st March 2015

	2015 Rs.	2014 Rs.
19.2.1 Provision recognized in the Statement of comprehensive income		
Current service cost	1,696,115	
Interest on obligation	114,864	
	1,810,979	-

19.2.2 Provision recognized in the Statement of other comprehensive income

	2015 Rs.	2014 Rs.
Actuarial gain during the year	(831,875)	-

19.2.3 The principal assumptions used in determining the cost of sick leave were as follows;

Discount rate	9.55%	-
Future salary increment rate	11%	-
Retirement age is 55 years	55 years	-

20. Amount due to related parties

	2015 Rs	2014 Rs
Asian Paints Limited (India)	**25,788,588**	**17,614,613**

21. Current taxation

	2015 Rs	2014 Rs
Balance at the beginning of the year	34,048,730	35,937,000
Provision for the year	12,406,091	11,727,458
Tax payments during the year	(14,209,109)	(9,423,728)
Set off against ESC receivable	-	(4,192,000)
Balance at the end of the year	**32,245,712**	**34,048,730**

22. Assets pledged as security

Asset	Nature of pledge	Nature of liability
Stocks & book debts of the company	Concurrent mortgage	130 Million Overdraft facility from Citi Bank.
Stocks, book debts & assets of the company	Concurrent mortgage	105 Million Overdraft facility from HNB
Stocks, book debts & assets of the company	Concurrent mortgage	40 Million import facility from HNB
		2 Mn Bank Gurantee facility from HNB

23. Comparative figures

Where necessary, information has been restated to confirm to current year's presentation and classification.

24. Related party transaction

24.1 Transactions with key management personnel

The board of directors of the Company have the authority and responsibility of planning, directing and controlling the activities of the Company. Accordingly, the Board of directors of the Company have been identified as the key management personnel. ("KMP") of the Company. The compensation paid to KPM's is as follows:

	2015 Rs.	2014 Rs.
Short term employee benefits	14,153,610	16,381,435
Post employment benefits	NIL	NIL

24.2 Transactions with related entities

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 - Related party disclosures. The details of which are reported below.

Company name	Transaction	Transaction amount 2015 Rs.	Transaction amount 2014 Rs.
Asian Paints Limited (India)	Purchase of raw material	81,005,471	78,083,000
	Marketing items & others	17,038,818	4,632,000
	Royalty payments	15,891,371	15,074,000
Berger Paints (Singapore) Pte Ltd	Purchase of raw material	4,337,015	2,392,000
PPG Asian Paints Lanka (Pvt) Ltd	Provide wherehouse facilities & other services	1,633,825	1,564,000
	Sale of paints	502,726	424,000
Hi-Tech Plast Ltd	Purchase of raw material	88,169	

24.3 Amounts due to Asian Paints Limited (India) as at 31st March 2015 amounted to Rs.25.788 Mn (2014: Rs.17.615 Mn) and also receivable from PPG Asian Paints (Lanka) Ltd amounted to Rs. 0.127 Mn

25. Fair values of financial instruments

The fair values of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position are as follows;

As at	31 March 2015		31 March 2014	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Assets carried at amortised cost				
Trade and other receivables	675,272,733	675,272,733	650,485,116	650,485,116
Deposits	5,663,544	5,663,544	8,333,442	8,333,442
Cash and cash equivalents	83,368,987	83,368,987	109,817,981	109,817,981
	764,305,264	**764,305,264**	**768,636,539**	**768,636,539**
Liabilities carried at amortised cost				
Trade and other payables	426,545,038	426,545,038	440,451,841	440,451,841
Amount due to related parties	25,788,588	25,788,588	17,614,613	17,614,613
Bank overdraft	117,969,260	117,969,260	188,689,771	188,689,771
	570,302,886	**570,302,886**	**646,756,225**	**646,756,225**

The carrying amount of cash and cash equivalents approximate the fair value due to the relatively short maturity of the financial instruments. This includes cash balances as well. For all the other items the carrying value has been considered as the fair value due to the timing of the cash flows.

The Company does not have any financial assets or liabilities carried at fair value as at the reporting date.

Notes to the Financial Statements
For the year ended 31st March 2015

26. Contingent liabilities

There have been no material Contingent liabilities outstanding as at the reporting date.

26.1 Lawyers have confirmed that the following case is pending in the court which is against the Company. No provision has been made in the financial statements for this regard.

Rudra Paints, a distributor of the Company ("plaintiff"), filed an action against the Company on 5 November 2013, in Commercial High Court Colombo, claiming a sum of Rupees 10 million, as losses and damages for breach of the sales agreement. The Company has denied the claim of the plaintiff and is defending the matter.The outcome of this cannot be assessed as at reporting date.

27. Capital commitments

There were no contract for capital expenditure of material amounts approved or contracted for as at the reporting date.

28. Financial risk management

28.1 Overview

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

1. Credit risk
2. Liquidity risk
3. Market risk
4. Operational risk

Introduction and overview

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout this financial statement.

28.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze 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.

28.3 Credit risk

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

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. However, geographically there is no concentration of credit risk.

The Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Notes to the Financial Statements

For the year ended 31st March 2015

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Companys of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Guarantees

The Company's policy is not to provide financial guarantees unless requested by any mission At 31 March 2015 guarantees were outstanding LKR 1.434377 Mn (2014: 0.336 Mn).

Exposure to credit risk

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

As at 31 March	2015 Rs.	2014 Rs.
Trade and other receivables	675,272,733	650,485,116
Cash and cash equivalents	83,368,987	109,817,981
	758,641,720	**760,303,097**

The maximum exposure to credit risk for loans and receivables at the reporting date by currency wise;

	Carrying amount	
	2015 Rs.	2014 Rs.
USD	(1,559)	(988)
GBP	2,205	5,602
EUR	-	-
	646	**4,614**

Impairment losses

The ageing of trade receivables at the end of the reporting period that was as follows.

	2015 Rs.	2014 Rs.
Neither past due nor impaired	497,391	434,513
Past due 1–30 days	77,127	41,758
Past due 31–90 days	52,292	26,914
Past due 91–275 days	36,055	20,154
Due and impaired	(21,771)	(18,127)

Impairment losses

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

	Collective impairments
Balance at 1 April 2013	18,126,603
Impairment loss recognised	3,644,483
Amounts written off	-
Balance at 31 March 2014	21,771,085
Balance at 1 March 2014	**21,771,085**
Impairment loss/(reversal) recognised	(7,645,589)
Amounts written off	-
Balance at 31 March 2015	**14,125,496**

The Company believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, when available. The credit quality of trade and other receivables is assessed based on a credit policy established by the company. The company has monitored customer credit risk, by grouping trade and other receivables based on their characteristics.

28.3Liquidity 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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains the following lines of credit:

	Rs.
CW deposits received	52,099,531
Bank overdraft facilities	118,715,913

28.3.1 Exposure to liquidity risk

The following are the remaining contractual maturities of the Company at the end of the reporting period of financial liabilities.

As at 31 March 2015	Carrying amount (Rs.)	Total (Rs.)	Contractual cash flows (Rs.)		
			up to 3 months	3-12 months	More than a year
Non- derivative financial liabilities					
CW deposits received	(52,099,531)	(52,099,531)	(30,133,000)	(7,110,000)	(14,856,531)
Bank overdraft facilities	(118,715,913)	(118,715,913)	(118,715,913)	-	-

Management of liquidity risk

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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's policy is to hold cash and undrawn overdraft facilities at a level sufficient to ensure that the Comapny has available funds to meet its liabilities.

28.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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 optimizing the return.

28.4.1. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes on foreign exchange rates. The Company monitors the fluctuations in foreign currencies with appropriate strategies to minimize risk.

The Company is exposed to currency risk on transaction and settlements of transaction that are denominated in a currency other than the respective functional currencies of Company entities, primarily the US Dollars (USD), Great Britain Pound (GBP) and euro (e). The currencies in which these transactions primarily are denominated are USD, GBP and Euro.

The following significant exchange rates were applied during the year:

	Average rate 2015	Reporting rate 2015	Spot rate 2014
USD	133.415	134.506	132.324
GBP	210.155	199.712	220.215

The Company's exposure to foreign currency risk is as follows;

As at 31st March 2015	USD converted to Rs.	Rs.	Total
Trade & other receivables	7,565,419	667,707,314	675,272,733
Cash & cash equivalents	-	83,368,987	83,368,987
Trade & other payables	88,600,647	337,944,391	426,545,038
Amounts due to related parties	25,788,588	-	25,788,588
Bank overdrafts	-	117,969,260	117,969,260

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Foreign Currency Sensitivity

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in US Dollar Britain Pound (GBP) and euro (e) exchange rate is given below. In calculation of risk it is assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31st March 2015.

	Effect on profit or loss (Rs.)	Effect on equity (Rs.)
LKR depreciated against USD by 5%	(78)	(78)
LKR appreciated against USD by 5%	78	78
LKR depreciated against GBP by 5%	110	110
LKR appreciated against GBP by 5%	(110)	(110)

28.4.2. 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.

28.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when this is effective.

Notes to the Financial Statements

For the year ended 31st March 2015

29. Events occurring after the reporting date

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

30. Directors' Responsibility for Financial Reporting

The Board of Directors is responsible for the preparation and presentation of the financial statements in accordance with Sri Lanka Accounting Standards.