

RAK Paints Ltd.

Report and financial statements as at and
for the nine-month period ended 31 March 2019



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Independent auditor's report

To the shareholders of the RAK Paints Ltd

Report on the Group Reporting Pack

We have audited the accompanying Group Reporting Pack of RAK Paints Ltd ('the Entity') which comprise the balance sheet as at 31 March 2019, the statement of profit and loss, the statement of changes in equity and the cash flow statement (collectively referred to as 'the Group reporting pack') for the nine-month period then ended, annexed thereto, and a summary of significant accounting policies and other explanatory information, prepared in accordance with the group accounting policies followed by Kansai Nerolac Paints Limited ('Kansai') (the holding company of the Group). The Group reporting pack has been prepared solely to enable the Kansai, to prepare its consolidated Ind AS financial statements as at and for the year ended 31 March 2019.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid group reporting pack of the Entity has been prepared, in all material respects, as established by us, in accordance with the group accounting policies followed by Kansai and are suitable for inclusion in the consolidated Ind AS financial statements of Kansai.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Group reporting pack section of our report. We are independent of the Entity in accordance with the ethical requirement that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management for the Group Reporting Pack

The Entity's Board of Directors is responsible for the preparation of the Group reporting pack that give a true and fair view of the financial position, financial performance, financial cash flows of the Entity, and a summary of significant account policies and other explanatory information, prepared in accordance with group accounting policies followed by Kansai. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Entity and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Group reporting pack that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The Group reporting pack has been prepared by the Management on the basis of instructions received in this regard from Kansai solely for the use by Kansai in preparation of its consolidated Ind AS financial statements in accordance with the group accounting policies followed by Kansai.

Independent auditor's report (continued)

Auditors' Responsibility for the reporting pack

Our objectives are to obtain reasonable assurance about whether the financial information as whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group reporting pack, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Group reporting pack represent the underlying transactions and events in a manner that achieves fair presentation.

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

Limitation of Use

This report is intended solely for use by B S R & Co. LLP, India in connection with its audit of consolidated Ind AS financial statements of the Kansai as at and for the year ended 31 March 2019 and should not be used for any other purpose.

Rahman Rahman Huq
Dhaka, 30 APR 2019



RAK Paints Ltd.
Balance Sheet

<i>In Taka</i>	<i>Note</i>	31 March 2019	30 June 2018
Assets			
Property, plant and equipment	13	196,560,174	222,452,179
Intangible asset	14	784,140	970,001
Non-current assets		197,344,314	223,422,180
Inventories	15	246,476,950	298,135,674
Trade and other receivables	16	405,330,762	306,860,292
Advances, deposits and prepayments	17	22,752,196	66,865,555
Advance corporate income tax	18	120,763,826	95,582,832
Cash and cash equivalents	19	83,688,417	36,505,085
Current assets		879,012,151	803,949,438
Total assets		1,076,356,465	1,027,371,618
Equity			
Share capital	20	620,000,000	525,000,000
Share money deposit	21	-	95,000,000
Retained earnings		(928,767,779)	(816,076,098)
Total equity		(308,767,779)	(196,076,098)
Liabilities			
Loan and borrowings	22	11,490,218	16,367,018
Non-current liabilities		11,490,218	16,367,018
Loan and borrowings	22	939,622,258	790,805,015
Employees benefits	23	54,964,577	42,010,089
Trade and other payables	24	211,522,086	252,011,785
Accruals and other payables	25	149,333,740	112,377,065
Current tax liabilities	26	18,191,365	9,876,744
Current liabilities		1,373,634,026	1,207,080,698
Total liabilities		1,385,124,244	1,223,447,716
Total equity and liabilities		1,076,356,465	1,027,371,618

The notes on pages 7 to 29 are an integral part of these financial statements.



Director



Chairman

As per our report of same date.



Auditor

Dhaka, 30 APR 2019



Rahman Rahman Huq
Chartered Accountants
KPMG in Bangladesh

RAK Paints Ltd.
Statement of profit or loss and other comprehensive income

<i>In Taka</i>	<i>Note</i>	For the nine-month period ended 31 March 2019**	For the year ended 30 June 2018 Restated*
Sales	6	1,103,485,587	1,142,368,544
Cost of goods sold	7	(855,310,995)	(923,787,434)
Gross profit		248,174,592	218,581,110
Administrative expenses	8	(36,660,362)	(52,615,936)
Selling expenses	9	(239,215,384)	(320,180,498)
Other income	10	2,719,212	4,663,646
Operating profit		(24,981,942)	(149,551,678)
Net finance cost	11	(79,395,118)	(82,677,239)
Loss before tax		(104,377,060)	(232,228,917)
Income tax expense	12	(8,314,621)	(5,258,955)
Loss after tax for the period/year		(112,691,681)	(237,487,872)
Other comprehensive income/ (loss), net of tax		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income		(112,691,681)	(237,487,872)
Earnings Per Share (EPS in Taka)		(1.82)	(4.52)

*See Note 5.

The Company has initially applied Ind AS 115 and Ind AS 109 at 1 July 2018. Under the transition methods chosen, comparative information is restated for certain requirements.

**The Company has changed its reporting period to align financial year with the Group, hence the Company has considered the figures and information of the year ended 30 June 2018 as comparative with the nine-month period ended 31 March 2019. Therefore, amount presented in the financial statements are not entirely comparable.

The notes on pages 7 to 29 are an integral part of these financial statements.



Director



Chairman

As per our report of same date.



Auditor

Dhaka, 30 APR 2019



Rahman Rahman Huq
Chartered Accountants
KPMG in Bangladesh

RAK Paints Ltd.
Statement of changes in equity

For the nine-month period ended 31 March 2019

<i>In Taka</i>	Share capital	Share money deposit	Retained earnings	Total
Balance at 1 July 2017	525,000,000	95,000,000	(578,588,226)	41,411,774
Share money deposit transferred to share capital	-	-	-	-
Loss for the year	-	-	(237,487,872)	(237,487,872)
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2018	525,000,000	95,000,000	(816,076,098)	(196,076,098)
Balance at 1 July 2018	525,000,000	95,000,000	(816,076,098)	(196,076,098)
Share money deposit transferred to share capital	95,000,000	(95,000,000)	-	-
loss for the period	-	-	(112,691,681)	(112,691,681)
Other comprehensive income for the period	-	-	-	-
Balance at 31 March 2019*	620,000,000	-	(928,767,779)	(308,767,779)

***The Company has changed its reporting period to align financial year with the Group, hence the Company has considered the figures and information of the year ended 30 June 2018 as comparative with the nine-month period ended 31 March 2019. Therefore, amount presented in the financial statements are not entirely comparable.*

The notes on pages 7 to 29 are an integral part of these financial statements.



RAK Paints Ltd.
Statement of cash flows

<i>In Taka</i>	For the nine-month period ended	For the year ended
	31 March 2019*	30 June 2018
A. Cash flows from operating activities		
Cash receipts from customers and others	1,014,305,060	1,529,569,285
Cash payments to suppliers and employees	(1,083,348,816)	(1,549,648,609)
Cash payments for corporate income tax	(25,180,994)	(33,850,584)
Net cash used in operating activities	(94,224,750)	(53,929,908)
B. Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(5,187,884)	(52,373,007)
Additions to capital work in progress	-	3,484,958
Proceeds from sale of property, plant and equipment	2,655,523	378,292
Net cash used in investing activities	(2,532,361)	(48,509,757)
C. Cash flows from financing activities		
Issuance of new share	95,000,000	-
Decrease in share money deposit	(95,000,000)	-
Proceeds from loan and borrowings	143,940,443	116,470,630
Net cash generated from financing activities	143,940,443	116,470,630
D. Net increase in cash and cash equivalents (A+B+C)	47,183,332	14,030,965
E. Beginning cash and cash equivalents	36,505,085	22,474,120
F. Closing cash and cash equivalents (D+E)	83,688,417	36,505,085

***The Company has changed its reporting period to align financial year with the Group, hence the Company has considered the figures and information of the year ended 30 June 2018 as comparative with the nine-month period ended 31 March 2019. Therefore, amount presented in the financial statements are not entirely comparable.*

The notes on pages 7 to 29 are an integral part of these financial statements.



RAK Paints Ltd.
Notes to the financial statements

1. Reporting entity

RAK Paints Ltd. ("the Company") formerly known as RAK Paints Pvt. Ltd. was incorporated in Bangladesh under the Companies Act, 1994 vide registration no. C -76335/09 dated 20th April 2009 as a Private Company limited by shares. The authorized capital of Taka 100 million divided into 10 million ordinary shares of Taka 10 each as on 31 March 2019. The paid up capital stands at 620 million as on 31 March 2019. The Company started its commercial operation w.e.f. 02 April 2011.

The registered office of the Company is situated at RAK Tower (12th Floor), Plot No.1, Jasimuddin Avenue, Sector 3, Uttara Model Town, Dhaka-1230.

The main object of the Company is to manufacture all kinds of paint items, hardware equipment, building material, chemicals and to undertake activities relating to detailed design, procurement of machines and erection and commissioning of paints for the purpose of operating, managing, manufacturing and marketing of said product.

2. Basis of accounting

These financial statements have been prepared, in all material aspects, in accordance with the Indian Accounting Standards (Ind AS) which has been adopted by the Company. The financial statements is authorized for issue by the Board of Directors of the Company at their meeting held on

30 APR 2019

Details of the Company's accounting policies, including changes during the period, if any, are included in note 34.

3. Functional and presentation currency

These financial statements are presented in Taka/Tk./BDT, which is the Company's functional currency. All amounts have been rounded to the nearest taka, unless otherwise indicated.

4. Use of judgments and estimates

In preparing these financial statements, management has made 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 estimates are recognised prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following note:

- Note 22 : Employee benefits

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 March 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 12 : Property, plant and equipment
- Note 14 : Inventories
- Note 26 : Contingent liabilities



Notes to the financial statements (continued)

5. Changes in significant accounting policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The Company has initially adopted Ind AS 115 *Revenue from Contracts with Customers* (see A) and Ind AS 9 *Financial Instruments* (see B) from 1 July 2018.

The effect of initially applying these standards is mainly attributed to the following:
– impact on revenue and selling expenses (see A below).

A. Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced Ind AS 18 *Revenue*, Ind AS 11 *Construction Contracts* and related interpretations.

The Company has adopted Ind AS 115 *Revenue from Contracts with Customers* retrospectively to each prior period presented in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* from 1 July 2018.

The following tables summarise the impacts of adopting Ind AS 115 on the Company's statement of profit or loss for the year then ended 30 June 2018 for each of the line items affected. The adoption of this standard had no impact on the Company's statement of financial position and cash flows for the year ended 30 June 2018.

The 'transaction price' is the amount of consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. In determining the transaction price, an entity considers the effect of variable consideration, time value of money, consideration payable to customers and non cash transactions. There is no impact of time value of money and non cash transactions. Variable consideration includes discounts, rebates, refunds, credits, early settlement discounts, price concessions, incentives, performance bonuses, penalties, rights of return and consideration contingent on the occurrence or non-occurrence of a future event etc. Under Ind AS 115, the items of variable considerations should be excluded from the revenue. Under Ind AS 18 the effect of discounts, rebates, refunds, price concession and right of sale were only considered for revenue. By following the full retrospective transition method, the following financial statement captions have been restated.

<i>In Taka</i>	<i>Note</i>	Ind AS 18 as previously reported	Reclassification	Restated for the year ended 30 June 2018
Revenue	6	1,522,208,690	(379,840,146)	1,142,368,544
Selling expense	9	(700,020,644)	379,840,146	(320,180,498)

B. Ind AS 109 Financial Instruments

Ind AS 109 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces Ind AS 39 *Financial Instruments: Recognition and Measurement*.

i. Classification and measurement of financial assets and financial liabilities

Ind As 109 largely retains the existing requirements in Ind AS 39 for the classification and measurement of financial liabilities. Ind AS 109 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under Ind AS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. However, Ind AS 109 eliminates the previous Ind AS 39 categories of held to maturity, loans and receivables and available for sale.

The adoption of Ind As 109 had no impact on the Company's accounting policies related to financial liabilities and derivative financial instruments (as the Company has no derivatives). Trade and other receivables that were classified as loans and receivables under Ind AS 39 are now classified at amortised cost. There is no impact over these receivables was recognised in opening retained earnings at 1 July 2018 on transition to Ind AS 109.



Notes to the financial statements

6. Sales

The effect of initially applying Ind AS 115 on the Company's revenue from contracts with customers is described in Note 5. Due to the full retrospective transition method chosen in applying Ind AS 115, comparative information has been restated to reflect the new requirements.

<i>In Taka</i>	For nine-month period ended 31 March 2019	For the year ended 30 June 2018 Restated
Gross sales of product - local	1,637,340,318	1,813,660,849
Less: Value Added Taxes (VAT)	221,691,206	239,679,532
Supplimentary Duty (SD)	38,438,516	51,772,627
Discounts and rebates	303,271,583	379,840,146
	1,073,939,013	1,142,368,544
Sales - export	3,602,129	-
Sales of products	1,077,541,142	1,142,368,544
Services rendered	25,944,445	-
	1,103,485,587	1,142,368,544

7. Cost of goods sold

<i>In Taka</i>	Note	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Raw and packaging material		753,180,139	841,199,292
Direct labour	6(A)	31,459,210	44,789,203
		784,639,349	885,988,495
Direct expenses:			
Power and gas		4,998,660	6,153,006
Repairs and indirect materials		3,519,867	6,231,926
Depreciation	13	16,052,218	20,349,728
Other production overhead	6(B)	20,536,363	19,368,349
Application charges (SLE)		18,562,799	-
Movement in work in progress and finished goods		7,001,739	(14,304,070)
		855,310,995	923,787,434

A. Direct labour

<i>In Taka</i>	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Salaries and wages	18,226,408	26,303,542
Overtime	1,093,568	1,345,324
Bonus	1,494,790	2,041,935
Temporary labour wages	7,576,157	11,494,919
Gratuity fund	658,410	843,464
Provident fund	743,489	1,009,837
Leave encashment	727,213	300,236
Group life insurance	164,385	186,426
Health and other welfare expense	14,960	33,619
Staff welfare	759,830	1,067,136
Uniform to workers main plant	-	162,765
	31,459,210	44,789,203



Notes to the financial statements

B. Other production overhead

<i>In Taka</i>	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Demurrage	6,643,681	3,219,185
Insurance	3,012,040	3,585,023
Travelling, hauling and fooding expenses	1,980,506	2,503,523
Rent and rates	596,925	853,650
Fuel, toll and vehicle maintenance	559,298	857,817
Security and safety	1,845,588	2,194,653
Other expenses	5,898,325	6,154,498
	20,536,363	19,368,349

8. Administrative expenses

<i>In Taka</i>	Note	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Staff cost			
Telephone, postage and supplies	7(A)	20,139,384	32,324,330
Office repairs and maintenance	7(B)	2,319,057	2,842,163
Registration and renewal		2,606,382	4,264,231
Legal and professional fees		1,047,350	1,312,648
Audit fees		1,620,604	4,142,146
Vehicle repair and maintenance		316,250	86,250
Rent, rates and taxes		1,521,073	2,440,148
Insurance		2,884,200	3,415,500
Depreciation		358,340	388,889
Others	13	3,374,931	1,235,358
		472,791	164,273
		36,660,362	52,615,936

A. Staff cost

<i>In Taka</i>	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Salaries and wages	14,525,287	17,170,204
Directors remuneration	-	4,696,456
Bonus	979,020	1,672,470
Leave encashment	656,329	83,483
Gratuity expenses	104,313	741,145
Employers contribution to Provident Fund	4,649	899,923
Staff welfare and fooding expenses	604,901	3,270,319
Hotel, conveyance, tour and ticket	745,178	1,694,686
Group life insurance	125,204	153,126
Foreign technician expenses	2,394,503	1,942,518
	20,139,384	32,324,330



Notes to the financial statements

B. Office repairs and maintenance

<i>In Taka</i>	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Repairs and maintenance	1,727,660	3,088,185
Electricity, gas and water	878,722	1,176,046
	2,606,382	4,264,231

9. Selling expenses

<i>In Taka</i>	Note	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Staff cost	8(A)	115,755,466	132,023,902
Advertisement		6,743,642	16,236,760
Royalty		4,890,846	-
Telephone, postage and supplies		3,761,733	5,399,681
Freight and transportation/delivery expenses		30,737,293	37,219,868
Business promotion		39,394,167	74,415,741
Travel, entertainment and others		4,229,029	4,355,151
Security and guard expenses		3,538,130	4,662,264
Rent, rates and taxes		8,016,228	10,876,628
Vehicle repairs and maintenance		8,204,048	9,463,813
Other repairs and maintenance	8(B)	3,385,255	5,329,849
Amortization		185,861	247,587
Depreciation		9,334,555	2,081,914
Bad and doubtful debts		1,039,131	17,867,340
		239,215,384	320,180,498

A. Staff cost

<i>In Taka</i>	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Salaries and wages	90,509,190	110,483,667
Bonus and incentive	14,786,149	11,794,685
Gratuity	2,157,974	3,098,092
Provident fund	2,739,810	3,516,344
Group life insurance	585,648	553,754
Leave encashment	2,822,367	786,745
Fooding expenses and others	2,154,328	1,790,615
	115,755,466	132,023,902

B. Office repairs and maintenance

<i>In Taka</i>	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Electricity, gas and water	520,328	561,953
Other maintenance	2,864,927	4,767,896
	3,385,255	5,329,849



Notes to the financial statements

10. Other income

<i>In Taka</i>	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Sales of scrap	-	966,786
Gain/(loss) on sale of property, plant and equipment	(444,248)	122,748
Misc. income	3,163,460	3,574,112
	2,719,212	4,663,646

11. Net finance cost

<i>In Taka</i>	<i>Note</i>	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Finance income	10(A)	70,678	67,150
Finance cost	10(B)	(79,465,796)	(82,744,389)
		(79,395,118)	(82,677,239)

A. Finance income

Interest income	70,678	67,150
Exchange gain:		
Realised	-	-
Unrealised	-	-
	70,678	67,150

B. Finance cost

Interest expenses	78,417,932	78,138,910
Exchange loss:		
Realised	905,412	4,247,990
Unrealised	142,452	357,489
	1,047,864	4,605,479
	79,465,796	82,744,389

12. Income tax expense

<i>In Taka</i>	For nine-month period ended 31 March 2019	For the year ended 30 June 2018
Current tax expense	8,314,621	5,258,955
Deferred tax credit	-	-
Total income tax expenses	8,314,621	5,258,955

As per the applicable tax law, the Company has to pay tax at the rate applicable to it subject to a minimum tax which is higher of (a) regular tax calculated on the income from regular sources or (b) at the rate of 0.6% of total gross receipts or (c) tax deducted at export stage for cement export and at the time of sale u/s 52 and 53BBBB (as covered u/s 82C). As tax calculated on gross receipts is higher, we have considered the tax calculated on the gross receipts as tax expenses during the income year.



Notes to the financial statements (continued)

14. Intangible assets

Reconciliation of carrying amount

<i>In Taka</i>	Computer software	Total
Cost		
Balance at 1 July 2017	1,237,938	1,237,938
Addition during the year	-	-
Balance at 30 June 2018	1,237,938	1,237,938
Balance at 1 July 2018	1,237,938	1,237,938
Addition during the period	-	-
Balance at 31 March 2019	1,237,938	1,237,938
Accumulated amortisation		
Balance at 1 July 2017	20,350	20,350
Amortisation for the year	247,587	247,587
Balance at 30 June 2018	267,937	267,937
Balance at 1 July 2018	267,937	267,937
Amortisation for the period	185,861	185,861
Balance at 31 March 2019	453,798	453,798
Carrying amounts		
At 30 June 2018	970,001	970,001
At 31 March 2019	784,140	784,140



Notes to the financial statements (continued)

15. Inventories

<i>In Taka</i>	31 March 2019	30 June 2018
Raw materials	132,621,820	184,818,799
Stores and spares	5,919,216	5,890,745
Packing materials	6,706,448	3,787,703
Goods-in-transit	4,297,580	2,794,262
Work in progress	3,925,620	5,547,345
Finished goods	88,946,188	91,151,229
Promotional materials	4,060,078	4,145,591
	246,476,950	298,135,674

16. Trade and other receivables

<i>In Taka</i>	31 March 2019	30 June 2018
Trade receivables	405,321,979	306,799,313
Other receivables	8,783	60,979
	405,330,762	306,860,292

A. Trade receivables

<i>In Taka</i>	31 March 2019	30 June 2018
Trade receivables - local	383,226,333	294,351,618
Trade receivables - export	3,542,129	-
Contract receivables - Zamil Steel	9,532,875	775,404
A/C receivable from dealer (Tinting)	9,020,642	11,672,291
	405,321,979	306,799,313

B. Other receivables

<i>In Taka</i>	31 March 2019	30 June 2018
Claim receivable (insurance)	-	22,500
Accrued interest	8,783	38,479
	8,783	60,979



Notes to the financial statements (continued)

17. Advances, deposits and prepayments

<i>In Taka</i>	31 March 2019	30 June 2018
Advances		
Advance to suppliers	2,573,996	49,574,527
Advance VAT and SD paid against sales	9,851,042	4,855,545
Other advances	3,655,439	2,013,840
	16,080,477	56,443,912
Deposits		
Security deposit for rent	1,626,000	1,626,000
Security deposit for utilities	3,188,634	3,188,634
	4,814,634	4,814,634
Prepayments		
Pre paid insurance	1,408,189	4,716,791
Prepaid rent	448,896	890,218
	1,857,085	5,607,009
	22,752,196	66,865,555

18. Advance corporate income tax

<i>In Taka</i>	31 March 2019	30 June 2018
Import	117,575,928	79,202,900
Export	-	321,853
Registration and renewal	194,200	836,790
AIT on interest on bank deposit	77,585	67,547
Dealers AIT	2,909,325	15,127,231
Paid in cash	6,788	26,511
	120,763,826	95,582,832



Notes to the financial statements (continued)

19. Cash and cash equivalents

<i>In Taka</i>	<i>Note</i>	31 March 2019	30 June 2018
Cash in hand		10,194,639	19,472,280
Cash at bank:			
Current account	19(A)	28,611,214	6,856,218
Short term deposit account		21,109,856	5,005,757
Margin money		23,772,708	5,170,830
		83,688,417	36,505,085

A. Current account

<i>In Taka</i>	31 March 2019	30 June 2018
Pubali Bank Limited	2,288,533	7,618,835
HSBC, Uttara Branch*	-	109,517
One Bank Limited, Uttara Branch	197,442	2,621
Dutch Bangla Bank Limited, Uttara Branch	24,766,224	(972,242)
Dhaka Bank Limited	30,757	87,519
Bank Asia Limited	1,328,258	9,968
	28,611,214	6,856,218

*Account closed by bank and money receivable is pending.

20. Share capital

<i>In Taka</i>	<i>Note</i>	31 March 2019	30 June 2018
Authorised			
100,000,000 ordinary shares of Taka 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up			
62,000,000/52,500,000 ordinary shares of Taka 10 each	20(A)	620,000,000	525,000,000

A. Percentage of shareholding

As at 31 March 2019	Number of shares	Value In Taka	Percentage of holding
Name of the shareholders			
S.A.K Ekramuzzaman	24,749,600	247,496,000	39.92%
*Kansai Nerolac Paints Ltd.	34,100,000	341,000,000	55.00%
Shaylin Zaman Akbar	1,575,000	15,750,000	2.54%
Qamar - Uz - Zaman	1,575,000	15,750,000	2.54%
Ms. Naeema Jahan Akhter	100	1,000	0.00%
Mr. Ashik Malek	100	1,000	0.00%
Mr. Sangam Lal	100	1,000	0.00%
Mr. Ariane Massaad	100	1,000	0.00%
	62,000,000	620,000,000	100.00%

* The share transfer papers have already been submitted. In this regards, the Company is waiting to receive the certified copy of the same.



Notes to the financial statements (continued)

21. Share money deposit

<i>In Taka</i>	<i>Note</i>	31 March 2019	30 June 2018
S.A.K Ekramuzzaman		-	95,000,000
		-	95,000,000

22. Loan and borrowings

<i>In Taka</i>		31 March 2019	30 June 2018
Term loan		20,947,030	26,017,049
Short term borrowings		741,232,008	709,121,548
Bank overdraft		72,433,438	72,033,436
Loan from Mohammad Trading		116,500,000	-
		951,112,476	807,172,033

Classification of loans and borrowings

Non current portion	11,490,218	16,367,018
Current portion	939,622,258	790,805,015
	951,112,476	807,172,033

23. Employees benefits

<i>In Taka</i>	<i>Note</i>	31 March 2019	30 June 2018
Employees provident fund	22(A)	37,073,473	29,294,385
Employees gratuity fund	22(B)	12,767,171	11,545,240
Employees leave enchashment	22(C)	5,123,933	1,170,464
		54,964,577	42,010,089

A. Employees provident fund

<i>In Taka</i>		31 March 2019	30 June 2018
Opening balance		29,294,385	18,384,631
Add: Addition during the period/year		9,784,744	12,603,823
		39,079,129	30,988,454
Less: Payment made during the period/year		2,005,656	1,694,069
		37,073,473	29,294,385

B. Employees gratuity fund

<i>In Taka</i>		31 March 2019	30 June 2018
Opening balance		11,545,240	7,662,538
Add: Addition during the period/year		4,102,021	5,295,270
		15,647,261	12,957,808
Less: Payment made during the period/year		2,880,090	1,412,568
		12,767,171	11,545,240



Notes to the financial statements (continued)

C. Employees leave encashment

<i>In Taka</i>	31 March 2019	30 June 2018
Opening balance	1,170,464	-
Add: Addition during the period/year	4,013,002	1,170,464
Less: Payment made during the period/year	5,183,466	1,170,464
	59,533	-
	5,123,933	1,170,464

24. Trade and other payables

<i>In Taka</i>	Note	31 March 2019	30 June 2018
Trade payables		206,631,240	252,011,785
Intercompany payables	24(A)	4,890,846	-
		211,522,086	252,011,785

A. Intercompany payables

<i>In Taka</i>	31 March 2019	30 June 2018
Kansai Nerolac Paints Ltd.	4,890,846	-
	4,890,846	-

25. Accruals and other payables

<i>In Taka</i>	31 March 2019	30 June 2018
Security deposit, income tax and VAT payables	49,551,358	19,588,202
Advance from customers against sales	16,354,881	17,243,372
Power and Gas	650,400	532,800
Staff cost	21,571,745	17,758,337
Audit fees	402,500	51,750
Telephone	385,000	385,000
Interest	13,191,270	8,053,670
Bad debts	17,000,000	17,000,000
Others	30,226,586	31,763,934
	149,333,740	112,377,065

26. Current tax liabilities

<i>In Taka</i>	Note	31 March 2019	30 June 2018
Provision for tax	26(A)	18,191,365	9,876,744
		18,191,365	9,876,744

A. Provision for tax

Opening balance	9,876,744	4,617,789
Add: Provision for the period		
Current year	8,314,621	5,258,955
Prior year adjustment	-	-
Payment during the period	-	-
Total current tax	8,314,621	5,258,955
Closing balance	18,191,365	9,876,744



Notes to the financial statements (continued)

27. Contingent liabilities

<i>In Taka</i>	31 March 2019	30 June 2018
Letter of credit	101,427,596	225,960,000
Bank guarantee (local)	882,676	882,676
Bank guarantee (foreign)	-	10,380,000
Income tax demand for assessment year 2013-2014	17,205,713	17,205,713
	119,515,985	254,428,389

28. Capital expenditure commitment

There was no capital expenditure commitments at period ended 31 March 2019 (2018: Nil).

29. Number of employees

The number of employees engaged for the whole period or part thereof who received a total remuneration of Taka 36,000 and above per year was 410 (2018: 445).

30. Earnings Per Share

Basic Earnings per Share ("EPS") is computed by dividing the net profit / (loss) after tax for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

31. Events after the reporting date

No material events had occurred after the reporting period to the date of issue of these financial statements, which could affect the values stated in the financial statements.

32. Basis of measurement

These financial statements have been prepared on historical cost basis except for the inventories which are measured at cost or net realisable value whichever is lower.



Notes to the financial statements

33. Related party transactions

33.1 Parent and ultimate controlling party

Kansai Nerolac Paints Limited, Japan has 55% shareholdings of the Company. As a result, the parent and ultimate controlling party of the Company is Kansai Nerolac Limited, Japan.

33.2 Key management personnel compensation

Key management personnel compensation comprised the following:

Nature of related party transactions <i>In taka</i>	Transaction values for period/year	Balance outstanding as at	
		31 March 2019	30 June 2018
Short-term employee benefits	1,530,000	2,040,000	-
	1,530,000	2,040,000	-

Compensation of the Company's key management personnel includes salaries and benefits, fees, accommodation facilities and non-cash benefits.



Notes to the financial statements

33.3 Other related party transactions

Name of party <i>In taka</i>	Nature of related party transactions	Transaction values for nine-month period/year		Balance outstanding as at	
		2019	2018	31 March 2019	30 June 2018
Transactions with parent company					
Kansai Nerolac Paints Limited, India	Royalty	4,890,846	-	(4,890,846)	-
Transactions with other related parties (under common control)					
Mohammad Trading	Loan & Interest Payable	121,260,917	49,512,500	(121,260,917)	49,512,500
Green Planet Communication Private Ltd	Services Procurement	21,007	2,442,583	-	(745,437)
Speedway International	C&F Agent	11,279,698	23,097,841	(4,673,327)	(6,738,770)
Sky Bird Travels Private Ltd	Travel Agency	1,357,300	6,772,158	(2,700)	(49,082)
Mr Qamar Uz Zaman	Loan (Promoter)	15,569	-	1,174,484	-
Mr SAK Ekramuzzaman	Rent	3,762,000	5,237,100	-	82,400
Star Porcelain Private Ltd	Sales	157,214	24,544	308,761	151,547
Star Ceramics Private Ltd	Sales	349,469	583,661	226,705	16,636
Automatic Bricks & Ceramics Private Ltd	Sales	18,919	-	-	-
Rakeen Development Co. BD Ltd	Sales	2,351,755	175,046	76,634	5,288
Wizemanns Boggie Consultants Private Ltd	Service Provider	904,800	3,228,079	(509,600)	(1,433,270)
RAK Mosfly Bangladesh Private Ltd	Sales	42,595	-	43,517	-
RAK Ceramics Bangladesh Ltd	Sales	1,078,993	1,488,778	278,169	1,272,122
RAK Security & Services Private Ltd	Security Services provider	4,667,874	7,160,853	(2,466,485)	(2,965,849)
RAK Power Limited	Sales	13,259	41,197	13,182	77
Pailii Properties Pte Ltd.	Sales	15,948	36,231	5	11,720
Pelikan Plastic & Packaging Pvt Ltd	Packaging Material Supplier	7,181,235	7,313,866	(1,779,674)	(5,219,211)
S M Knitware Ltd	Purchase (Promotional Items)	-	-	(678,440)	-
Star Porcelain Private Ltd	Purchase (Promotional Items)	424,880	5,769,840	(744,021)	(3,475,956)
Rakeen Development Co. BD Ltd	Depot Rent & Expenses	733,772	-	(705,126)	-
RAK Ceramics Bangladesh Ltd	Depot Rent & Expenses	3,961,281	3,990,000	(285,000)	-
Pailii Properties PTE Ltd.	Service Provider & Exp	821,265	1,012,000	(92,000)	(95,254)
RAK Mosfly Bangladesh Private Ltd	Loan Receivable	2,415,000	0	1,280,873	-
Wizemanns Boggie Consultants Private Ltd	Advance	-	-	120,000	-
Star Ceramics Private Ltd	Receivable	86,404	18,750	86,404	18,750
Mohammad Trading	Sales	-	3,725	-	104
RAK Mosfly Bangladesh Private Ltd	Loan Payable	-	24,655,000	-	(1,134,127)
		167,811,999	142,563,752	(134,479,402)	29,214,188

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within two months of the reporting date. None of the balances is secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.



34. Significant accounting policies

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

Set out below is an index of the significant accounting policies:

- A. Property, plant and equipment
- B. Intangible assets
- C. Inventories
- D. Financial instruments
- E. Impairment
- F. Employee benefits
- G. Taxation
- H. Foreign currency
- I. Provisions
- J. Contingencies
- K. Sales
- L. Borrowing cost
- M. Finance costs
- N. Finance income
- O. Share capital
- P. Reporting period
- Q. Statement of cash flows
- R. Events after the reporting date

A. Property, plant and equipment

i. Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the assets.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

ii. Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful life of each part of an item of property, plant and equipment. For acquisitions and disposals during the financial year, depreciation is charged from following the month of acquisition and up to the month of disposal respectively. The rates at which property, plant and equipment are depreciated are given below:

Factory building	5.0%
Plant & machinery	10.0%
Furniture, fixtures & fittings	10.0%
Office & communication equipment	15.0%
Electrical installation	10.0%
Gas pipe line	10.0%
Tools & appliances	25.0%
Laboratory equipment	10.0%
Vehicles	20.0%

Land is not depreciated as it deemed to have an infinite life.

Notes to the financial statements

34. Significant accounting policies (continued)

iv. Capital work-in-progress

Capital work-in-progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use at period end and are stated at cost.

B. Intangible assets

Recognition and measurement

The Company has graphical software which is recorded as intangible assets. Acquired graphical software is initially capitalised at cost which includes the purchase price and other directly attributable cost of preparing the asset for its intended use.

Graphical software is subsequently carried at cost less accumulated amortization.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over its estimated useful life and it is generally recognised in profit or loss. The estimated useful life of payroll software is 5 years.

C. Inventories

Category	Basis of valuation	Principle
Raw and packing materials	At the lower of cost or net realisable	Weighted average cost
Finished goods	At the lower of cost or net realisable	Weighted average cost
Work in progress	At cost	Weighted average cost
Goods in transit	At cost	-

Raw and packing materials are measured at the lower of cost and net realisable value, while work in progress and goods in transit are measured at cost. The cost of inventories is based on the above 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 cost of completion and selling expenses.

Goods in transit represents the cost incurred up to date of the statement of financial position for the items that were not received till the date of statement of financial position.



34. Significant accounting policies (continued)

D. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

The Company initially recognises receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the date at which the Company becomes a party to the contractual provisions of the transaction.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial assets comprise investments and cash and cash equivalents.

Contractual cash flows are solely payment of principal and interest. The Company has the positive intent and ability to hold FDR to collect contractual cash flows, and such financial assets are classified as amortised cost. These financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and all cash deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

ii. Financial liability

All financial liabilities are recognised initially on the transaction date at which the Company becomes a party to the contractual provisions of the liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial liabilities include loans and borrowings, bank overdraft and trade and other payables.

ii. (a) Loans and borrowings

Principal amounts of the loans and borrowings are stated at cost. Borrowings repayable after twelve months from the date of statement of financial position are classified as non-current liabilities whereas the portion of borrowings repayable within twelve months from the date of statement of financial position, unpaid interest and other charges are classified as current liabilities.

ii. (b) Trade and other payables

The Company recognises a trade and intercompany payables when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.



34. Significant accounting policies (continued)

E. Impairment

i. Financial assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

ii. Non-financial assets

The carrying amounts of the Company's non financial assets, other than inventories, and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists then the assets recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating units (CGU) exceeds its estimated recoverable amount. For this purpose the entity is considered as single cash generating unit.



34. Significant accounting policies (continued)

F. Employee benefits

The Company operates a funded gratuity scheme, provision in respect of which is made annually covering all its permanent eligible employees. This scheme is qualified as defined benefit plan. There is a recognised provident fund for all permanent employees of the Company. This qualifies as defined contribution plan.

i. Defined benefit plans (gratuity)

Defined benefit plan is a retirement benefit plan under which amounts to be paid as retirement benefits are determined by reference to employees' earnings and/or year of services. The recognised Employees' Gratuity Fund is considered as defined benefit plan when it meets the recognition criteria. The Company's obligation is to provide the agreed benefits to current employees as per condition of the fund.

Present value of defined benefit obligation and the fair value of the plan assets are determined by professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost and mutually compatible actuarial assumptions about demographic and financial variables are used.

The rate used to discount post employment benefit obligations is determined by reference to the rate stated in actuarial report. The expected return on plan assets is also based on the same discount rate and is one of the component of expenses recognised in profit or loss. Remeasurements of the net defined benefit liability and the effect of asset ceiling, if any, are recognised in profit or loss.

ii. Defined contribution plan (provident fund)

Defined contribution plan is a post employment benefit plan. The recognised Employees Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees upon confirmation contribute a certain percent of their basic salary to the provident fund and the Company also makes contribution to the fund.

Contribution to defined contribution plan is recognised as an expense when an employee has rendered services to the Company. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

G. Taxation

Tax on profit or loss for the period comprises current and deferred tax recognised in profit or loss.

i. Current tax

Current tax is the expected tax payable on the taxable income chargeable for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years. Provision for current tax expenses has been made on the basis of Income Tax Ordinance 1984 (as amended up to date).

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes. Deferred tax is not recognised for:

- a) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- b) Temporary differences related to investment in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future, and
- c) Taxable temporary differences arising on the initial recognition of good will.

34. Significant accounting policies (continued)

G. Taxation (continued)

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 certain criteria are met. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. 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 realised.

H. Foreign currency

Transitions in foreign currencies are translated to the functional currency of the Company 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 amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

I. Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

J. Contingencies

Contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is possible that a liability has been incurred and the amount can be reasonably estimated.

K. Sales

Revenue is recognized on the basis of approved contracts regarding the transfer of goods or services to a customer for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is measured at the fair value of consideration received or receivable taking into account the amount of discounts, volume rebates, outgoing taxes on sales. Any amount receivable from the customer is recognised after the control of the goods sold is transferred.

L. Borrowing cost

Borrowing costs are recognised as expense in the year in which they are incurred unless capitalisation is required under Ind Accounting Standard (AS) 23 "Borrowing Costs".

M. Finance costs

Finance costs comprise of interest expense on borrowings & exchange loss. Borrowing costs which are not directly attributable to the acquisition, construction or production of as qualified asset are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.



34. Significant accounting policies (continued)

N. Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in statement of comprehensive income using the effective interest method.

O. Share capital

Ordinary shares issued by the Company are classified as equity.

P. Reporting period

The financial period of the Company covers nine months from 1 July to 31 March 2019 and is followed consistently. The Company has changed its reporting period to align financial year with the Group, hence the Company has considered the figures and information of the year ended 30 June 2018 as comparative with the nine months period ended 31 March 2019.

Q. Statement of cash flows

Cash flows from operating activities are presented under direct method as per Ind AS 7: Statement of Cash Flows.

R. Events after the reporting date

Events after the reporting period that provide additional information about the Company's position at the reporting date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Material events after the reporting date that are not adjusting events are disclosed in the note 31.

35. Going concern

The financial statements of the Company are prepared on a going concern basis. As per management assessment there are no material uncertainties related to events or conditions which may cast significant doubt upon Company's ability to continue as a going concern.

