RAK Paints Ltd.

Report and financial statements as at and
for the year ended 31 March 2020

Auditor's report to the Group Auditor on the audit of financial information for group audit of RAK Paints Ltd. :

To: Anil Jobanputra, Partner in charge, S R B C & CO LLP.

Opinion

We have audited, for the purpose of audit of the consolidated Ind AS financial statements for the year ended 31 March 2020 of Kansai Nerolac Paints Limited, the accompanying financial statements of RAK Paints Ltd. (the Company), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Financial Statements section of our report. We are independent of the Company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 34 to the financial statements where the management has explained how the Company will continue as a going concern in the foreseeable future.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's report to the Group Auditor on the audit of financial information for group audit of RAK Paints Ltd. (continued):

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 financial statements, 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 Company'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 Company'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 Company 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 financial statements 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.

Restriction on Use and Distribution

This report is provided solely for the information and use of S R B C & CO LLP, Mumbai to assist in audit of the Consolidated Ind AS financial statements of Kansai Nerolac Paints Limited as of and for the year ended 31 March 2020 and for any other statutory certificate purpose. It should not be distributed to anyone in Kansai Nerolac Paints Limited, any of its components, or any other party.

Name of partner in charge of the component engagement: M. Mehedi Hasan
KPMG Bangladesh
Dhaka, 30 April 2020

RAK Paints Ltd.

Statement of financial position

In Taka	***Note***	**31 March 2020**	**31 March 2019**
Assets			
Property, plant and equipment	*6*	**157,236,204**	196,560,174
Intangible assets	*7*	**535,874**	784,140
Non-current assets		**157,772,078**	197,344,314
Inventories	*8*	**388,653,817**	246,476,950
Trade and other receivables	*9*	**465,600,441**	388,330,762
Advances, deposits and prepayments	*10*	**41,995,659**	30,036,656
Advance corporate income tax	*11*	**171,843,447**	120,763,826
Cash and cash equivalents	*12*	**110,182,133**	76,403,957
Current assets		**1,178,275,497**	862,012,151
Total assets		**1,336,047,575**	1,059,356,465
Equity			
Share capital	*13*	**620,000,000**	620,000,000
Accumulated loss		**(1,063,404,070)**	(928,767,779)
Total equity		**(443,404,070)**	(308,767,779)
Liabilities			
Loan and borrowings	*14*	**-**	11,490,218
Employees benefits	*18*	**14,146,898**	12,767,171
Non-current liabilities		**14,146,898**	24,257,389
Loan and borrowings	*14*	**1,314,099,091**	939,622,258
Trade and other payables	*15*	**245,381,893**	211,522,086
Accruals and other payables	*16*	**123,636,120**	132,333,740
Current tax liabilities	*17*	**30,331,203**	18,191,365
Employees benefits	*18*	**51,856,440**	42,197,406
Current liabilities		**1,765,304,747**	1,343,866,855
Total liabilities		**1,779,451,645**	1,368,124,244
Total equity and liabilities		**1,336,047,575**	1,059,356,465

The notes on pages 7 to 30 are an integral part of these financial statements.

Director

Chairman

As per our report of same date.

Auditor

Dhaka, 30 April 2020

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

		For the period ended 31 March	
In Taka	***Note***	**2020**	**2019**
Revenue	*19*	**1,622,277,116**	1,084,891,350
Cost of goods sold	*20*	**(1,185,172,252)**	(855,310,995)
Gross profit		**437,104,864**	229,580,355
Administrative expenses	*21*	**(61,586,753)**	(36,660,362)
Selling expenses	*22*	**(367,520,377)**	(220,621,147)
Other income/(expenses)	*23*	**8,920,009**	2,719,212
Operating profit (loss)		**16,917,743**	(24,981,942)
Finance income	*24(A)*	113,324	70,678
Finance cost	*24(B)*	(134,500,384)	(79,465,796)
Profit (loss) before tax		**(117,469,317)**	(104,377,060)
Income tax expense	*25*	**(12,139,838)**	(8,314,621)
Profit (loss) after tax for the period		**(129,609,155)**	(112,691,681)
Other comprehensive income (loss)	*18(C)*	**(5,027,136)**	-
Total comprehensive income (loss)		**(134,636,291)**	(112,691,681)
Earnings Per Share (EPS in BDT)		**(2.09)**	**(1.82)**

The notes on pages 7 to 30 are an integral part of these financial statements.

Director

Chairman

As per our report of same date.

Auditor

Dhaka, 30 April 2020

RAK Paints Ltd.
Statement of changes in equity

For the period ended 31 March 2020

In Taka	Attributable to Owners of the Company Share capital	 Share money deposit	 Accumulated loss	 Total
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)	-	-
Profit/(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)
Balance at 1 April 2019	**620,000,000**	**-**	**(928,767,779)**	**(308,767,779)**
Share money deposit transferred to share capital	**-**	**-**	**-**	**-**
Profit/(loss) for the period	**-**	**-**	**(129,609,155)**	**(129,609,155)**
Other comprehensive income for the period	**-**	**-**	**(5,027,136)**	**(5,027,136)**
Balance at 31 March 2020	**620,000,000**	**-**	**(1,063,404,070)**	**(443,404,070)**

The notes on pages 7 to 30 are an integral part of these financial statements.

RAK Paints Ltd.
Statement of cash flows

For the period ended 31 March

In Taka	**2020**	**2019**
A. Cash flows from operating activities		
Cash receipts from customers and others	**1,564,186,495**	1,317,405,965
Cash payments to suppliers and employees	**(1,858,290,047)**	(1,393,904,860)
Cash payments for corporate income tax	**(51,079,621)**	(25,180,994)
Net cash used in operating activities	**(345,183,173)**	(101,679,889)
B. Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	**(13,804,898)**	(5,187,884)
Additions to capital work in progress	**-**	-
Interest on bank deposit	**113,324**	-
Proceeds from sale of property, plant and equipment	**29,666,308**	2,826,202
Net cash from/(used in) investing activities	**15,974,734**	(2,361,682)
C. Cash flows from financing activities		
Issuance of new share	**-**	95,000,000
Decrease in share money deposit	**-**	(95,000,000)
Proceeeds from loan and borrowings	**362,986,615**	143,940,443
Net cash from financing activities	**362,986,615**	143,940,443
D. Net increase in cash and cash equivalents (A+B+C)	**33,778,176**	39,898,872
E. Cash and cash equivalents at 1 April	**76,403,957**	36,505,085
F. Cash and cash equivalents at 31 March (D+E)	**110,182,133**	76,403,957

The notes on pages 7 to 30 are an integral part of these 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 authorised capital of the Company is Taka 1 billion divided into 100 million ordinary shares of Taka 10 each as on 30 September 2019. The paid up capital stands at Taka 620 million as on 31 December 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 principal activity of the Company is to manufacture all kinds of paint items, hardware equipment, building materials, 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 International Financial Reporting Standards (IFRS). The financial statements is authorised for issue on 30 April 2020.

The title and format of these financial statements follow the requirements of IFRSs which are to some extent different from the requirement of the Companies Act,1994. However, such differences are not material and in the view of management, IFRS format gives a better presentation to the shareholders.

Details of the Company's accounting policies, including changes during the period, if any, are included in Note 33.

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.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 March 2020 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 6 : Property, plant and equipment
- Note 7 : Intangible assets
- Note 9(A) : Bad debt provision
- Note 18(C) : Employees gratuity fund
- Note 26 : Contingent liabilities

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 applied IFRS 16 *Leases* from 1 April 2019. There is no significant impact on these financial statements on initial application of the standards. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease* . The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in **Note 33(T)**.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

B. As a lessee

As a lessee, the Company leases only buildings. The Company previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, right-of-use assets and lease liabilities is recognised for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

i. Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities are required to be measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company’s incremental borrowing rate at the date of initial application: the Company applied this approach to its largest property lease; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. rent for sales office);

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

- used hindsight when determining the lease term.

6. Property, plant and equipment

Reconciliation of carrying amount

See accounting policy in Note 33(A)

In Taka	Land	Factory buildings	Plant and machinery	Furniture and fixture	Office equipment	Communication equipment	Electrical installation	Gas pipe line	Tool and appliances	Laboratory equipment	Vehicles	Total
Cost												
Balance at 1 July 2018	23,143,600	134,297,118	103,499,862	10,587,167	14,963,283	3,015,870	18,817,389	8,885,112	8,025,675	3,356,356	62,248,518	390,839,950
Additions	-	-	1,241,091	120,966	1,550,838	429,499	-	-	76,850	90,066	1,678,574	5,187,884
Disposals	-	-	-	-	-	(43,903)	-	-	(2,611,620)	-	-	(2,655,523)
Balance at 31 March 2019	23,143,600	134,297,118	104,740,953	10,708,133	16,514,121	3,401,466	18,817,389	8,885,112	5,490,905	3,446,422	63,927,092	393,372,311
Balance at 1 April 2019	**23,143,600**	**134,297,118**	**104,740,953**	**10,708,133**	**16,514,121**	**3,401,466**	**18,817,389**	**8,885,112**	**5,490,905**	**3,446,422**	**63,927,092**	**393,372,311**
Additions	**-**	**-**	**1,093,971**	**5,863,884**	**2,254,398**	**1,063,140**	**-**	**-**	**412,505**	**-**	**3,117,000**	**13,804,898**
Disposals	**-**	**-**	**-**	**(5,138,936)**	**(413,367)**	**(125,238)**	**-**	**-**	**(1,241,405)**	**-**	**(22,747,362)**	**(29,666,308)**
Balance at 31 March 2020	**23,143,600**	**134,297,118**	**105,834,924**	**11,433,081**	**18,355,152**	**4,339,368**	**18,817,389**	**8,885,112**	**4,662,005**	**3,446,422**	**44,296,730**	**377,510,901**
Accumulated depreciation												
Balance at 1 July 2018	-	46,104,735	67,872,842	4,718,017	7,893,225	1,050,741	13,195,790	4,099,938	434,134	889,872	22,128,477	168,387,771
Depreciation	-	5,040,741	7,800,869	797,903	1,241,289	320,062	1,420,143	666,992	1,246,558	252,746	9,974,401	28,761,704
Disposals	-	-	-	-	-	(5,519)	-	-	(331,819)	-	-	(337,338)
Balance at 31 March 2019	-	51,145,476	75,673,711	5,515,920	9,134,514	1,365,284	14,615,933	4,766,930	1,348,873	1,142,618	32,102,878	196,812,137
Balance at 1 April 2019	**-**	**51,145,476**	**75,673,711**	**5,515,920**	**9,134,514**	**1,365,284**	**14,615,933**	**4,766,930**	**1,348,873**	**1,142,618**	**32,102,878**	**196,812,137**
Depreciation	**-**	**6,728,679**	**10,567,762**	**985,418**	**1,760,672**	**549,919**	**1,895,027**	**890,340**	**1,342,160**	**344,587**	**4,423,636**	**29,488,200**
Disposals	**-**	**-**	**-**	**(2,645,361)**	**(332,856)**	**(23,756)**	**-**	**-**	**(564,679)**	**-**	**(2,458,987)**	**(6,025,640)**
Balance at 31 March 2020	**-**	**57,874,155**	**86,241,473**	**3,855,977**	**10,562,330**	**1,891,447**	**16,510,960**	**5,657,270**	**2,126,354**	**1,487,205**	**34,067,527**	**220,274,697**
Carrying amounts												
At 1 July 2018	23,143,600	88,192,383	35,627,020	5,869,150	7,070,058	1,965,129	5,621,599	4,785,174	7,591,541	2,466,484	40,120,041	222,452,179
At 31 March 2019	23,143,600	83,151,642	29,067,242	5,192,213	7,379,607	2,036,182	4,201,456	4,118,182	4,142,032	2,303,804	31,824,214	196,560,174
At 31 March 2020	**23,143,600**	**76,422,963**	**19,593,451**	**7,577,104**	**7,792,822**	**2,447,921**	**2,306,429**	**3,227,842**	**2,535,651**	**1,959,217**	**10,229,203**	**157,236,204**

Depreciation allocated as under:

In Taka	For the period ended 31 March 2020	For the period ended 31 March 2019
Cost of goods sold	**21,414,937**	16,052,218
Administrative expenses	**1,807,999**	3,374,931
Selling expenses	**6,265,264**	9,334,555
	29,488,200	28,761,704

7. Intangible assets

Reconciliation of carrying amount

In Taka	Computer software	Total
Cost		
Balance at 1 July 2018	1,237,938	1,237,938
Acquisition/addition during the year	-	-
Disposals	-	-
Balance at 31 March 2019	1,237,938	1,237,938
Balance at 1 April 2019	**1,237,938**	**1,237,938**
Acquisition/addition during the year	-	**-**
Disposals	-	**-**
Balance at 31 March 2020	**1,237,938**	**1,237,938**
Accumulated amortisation		
Balance at 1 July 2018	267,937	267,937
Amortisation	185,861	185,861
Disposals	-	-
Balance at 31 March 2019	453,798	453,798
Balance at 1 April 2019	**453,798**	**453,798**
Amortisation	**248,266**	**248,266**
Disposals	**-**	**-**
Balance at 31 March 2020	**702,064**	**702,064**
Carrying amounts		
At 1 July 2018	970,001	970,001
At 31 March 2019	784,140	784,140
At 31 March 2020	**535,874**	**535,874**

8. Inventories

See accounting policy in Note 33(C)

In Taka	***Note***	**31 March 2020**	**31 March 2019**
Raw materials		**158,353,482**	132,621,820
Stores and spares		**6,829,098**	5,919,216
Packing materials		**9,457,245**	6,706,448
Goods-in-transit		**82,898,152**	4,297,580
Work in progress		**6,358,720**	3,925,620
Finished goods		**122,094,199**	88,946,188
Promotional materials		**2,662,921**	4,060,078
		388,653,817	246,476,950

9. Trade and other receivables

See accounting policy in Note 33(D)

Trade receivables	*9(A)*	**465,589,502**	388,321,979
Other receivables	*9(B)*	**10,939**	8,783
		465,600,441	388,330,762

A. Trade receivables

Trade receivables - local	**454,779,088**	383,226,333
Trade receivables - export	**-**	3,542,129
Contract receivables - Zamil Steel	**-**	9,532,875
A/C receivable from dealer (Tinting)	**28,810,414**	9,020,642
Bad debt provision-local trade receivables*	**(18,000,000)**	(17,000,000)
	465,589,502	388,321,979

*To maintain the consistency with the current period presentation, bad debt provision-local trade receivables for the year ended 31 March 2019 has reclassified from financial statements head "Accrual and other payables" to "Trade receiavbles". This reclassification had no effect on the reported results of operations.

B. Other receivables

Accrued interest	**10,939**	8,783
	10,939	8,783

10. Advances, deposits and prepayments

Advances		
Advance to suppliers	**12,179,141**	2,573,996
Advance to applicators*	**32,795,479**	7,284,460
Advance VAT and SD paid against sales	**(14,858,934)**	9,851,042
Other advances	**5,660,238**	3,655,439
	35,775,924	23,364,937

*To maintain the consistency with the current period presentation, advance to applicators which shown under cash and cash equivalent for the year ended 31 March 2019 re-classified to advances, deposits and prepayments.

Deposits		
Advance deposit for rent	**626,000**	1,626,000
Security deposit for utilities	**3,100,634**	3,188,634
	3,726,634	4,814,634
Prepayments		
Pre paid insurance	**1,097,535**	1,408,189
Pre paid rent	**1,395,566**	448,896
	2,493,101	1,857,085
	41,995,659	30,036,656

11. Advance corporate income tax

Import	**138,834,642**	101,656,917
Registration and renewal	**1,233,590**	1,030,990
AIT on interest on bank deposit	**84,638**	77,585
AIT on sales	**31,685,368**	17,998,334
Paid in cash	**5,209**	-
	171,843,447	120,763,826

12. Cash and cash equivalents

See accounting policy in Note 33(D)

In Taka		31 March 2020	31 March 2019
Cash in hand		**8,723,887**	2,910,179
Cash at bank:			
Current account	*12(A)*	**59,679,685**	28,611,214
Short term deposit account		**19,010,609**	21,109,856
Margin money		**22,767,952**	23,772,708
		110,182,133	76,403,957

A. Current account

	31 March 2020	31 March 2019
Pubali Bank Limited	**1,828,176**	2,288,533
One Bank Limited, Uttara Branch	**(64,998)**	197,442
Dutch Bangla Bank Limited, Uttara Branch	**47,869,065**	24,766,224
Dhaka Bank Limited	**904,555**	30,757
Bank Asia Limited	**4,315,458**	1,328,258
State Bank of India	**4,878,210**	-
Rocket Account No. 100000002213	**(148,011)**	-
Standard Chartered Bank, Gulshan Branch	**97,230**	-
	59,679,685	28,611,214

13. Share capital

		31 March 2020	31 March 2019
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 ordinary shares of Taka 10 each	*13(A)*	**620,000,000**	620,000,000

A. Percentage of shareholding

At 31 March 2020	Number of shares	Value In Taka	Percentage of holding
<u>Name of the shareholders</u>			
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 of S.A.K Ekramuzzaman have already been submitted to the registrar. In this regards, the Company is waiting to receive the certfied copy of the same.

14. Loan and borrowings

See accounting policy in Note 33(D)

	31 March 2020	31 March 2019
Term loan	**-**	20,947,030
Short term borrowings	**981,408,250**	741,232,008
Bank overdraft	**214,026,848**	72,433,438
Loan from Mohammed Trading	**118,663,993**	116,500,000
	1,314,099,091	951,112,476

Classification of loans and borrowings

	31 March 2020	31 March 2019
Non-current	**-**	11,490,218
Current	**1,314,099,091**	939,622,258
	1,314,099,091	951,112,476

15. Trade and other payables

See accounting policy in Note 33(D)

In Taka		**31 March 2020**	**31 March 2019**
Trade payables		**225,945,752**	206,631,240
Other payables - intercompany*		**19,436,141**	4,890,846
		245,381,893	211,522,086

*The Company entered into an agreement with its parent Kansai Nerolac Paints Ltd. to pay royalty at the rate of 1% on its sales value less Value Added Tax (VAT), commission and discount on sell of goods. The agreement is effective from 1 January 2019.

16. Accruals and other payables

TDS and VDS payables		**27,144,844**	49,551,358
Advance from customers against sales		**17,767,675**	16,354,881
Power and Gas		**602,000**	650,400
Staff cost		**9,648,704**	21,571,745
Audit fees		**230,000**	402,500
Telephone		**320,000**	385,000
Interest		**7,510,772**	13,191,270
Others		**60,412,125**	30,226,586
		123,636,120	132,333,740

17. Current tax liabilities

Provision for income tax	*17(A)*	**30,331,203**	18,191,365
		30,331,203	18,191,365

A. Provision for tax

Opening balance		**18,191,365**	9,876,744
Add: Provision for the period			
Current period		**12,139,838**	8,314,621
Total current tax		**12,139,838**	8,314,621
Closing balance		**30,331,203**	18,191,365

18. Employees benefits

See accounting policy in Note 33(F)

Employees provident fund	*18(A)*	**43,064,944**	37,073,473
Employees leave enchashment	*18(B)*	**8,662,252**	5,123,933
Employees gratuity fund	*18(C)*	**14,276,142**	12,767,171
		66,003,338	54,964,577

Non-current	*18(C)*	**14,146,898**	12,767,171
Current		**51,856,440**	42,197,406
		66,003,338	54,964,577

A. Employees provident fund

Opening balance		**37,073,473**	29,294,385
Add: Addition during the period/year		**13,594,698**	9,784,744
		50,668,171	39,079,129
Less: Payment made during the period/year		**7,603,227**	2,005,656
		43,064,944	37,073,473

B. Employees leave enchashment

Opening balance		**5,123,933**	1,170,464
Add: Addition during the period/year		**5,992,489**	4,013,002
		11,116,422	5,183,466
Less: Payment made during the period/year		**2,454,170**	59,533
		8,662,252	5,123,933

18. Employees benefits (continued)
C. Employees gratuity fund

In Taka	31 March 2020	31 March 2019
Net defined benefit asset	**1,792,850**	1,764,841
Total employee benefit asset	**1,792,850**	1,764,841
Net defined benefit liability	**16,068,992**	14,532,012
Total employee benefit liabilities	**16,068,992**	14,532,012
Non-current	**14,146,898**	12,767,171
Current	**129,244**	-
	14,276,142	12,767,171

Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit asset and liability and its components.

	Defined benefit obligation		Fair value of asset		Net defined (asset)/liability	
In Taka	2020	2019	2020	2019	2020	2019
Balance at 1 April	**14,532,012**	-	**1,764,841**	1,437,173	**12,767,171**	(1,437,173)
Included in profit or loss		-				
Current service cost	**3,417,029**	-	**-**	-	**3,417,029**	-
Past service cost	**-**	12,767,172	**-**	-	**-**	12,767,172
Interest cost (income)	**1,025,837**	-	**163,846**	60,013	**861,991**	(60,013)
	4,442,866	12,767,172	**163,846**	60,013	**4,279,020**	12,707,159
Included in OCI						
Remeasurement loss (gain):						
-Actuarial loss (gain) arising from:						
-demographic assumption	**-**	-	**-**	-	**-**	-
-financial assumption	**-**	-	**-**	-	**-**	-
-experience adjustment	**963,478**	3,997,185	**-**	-	**963,478**	3,997,185
- return on assets			**(66,473)**	-	**66,473**	-
	963,478	3,997,185	**(66,473)**	-	**1,029,951**	3,997,185
Other						
Contribution paid by the employer	**-**	-	**3,800,000**	2,500,000	**(3,800,000)**	(2,500,000)
Benefits paid	**(3,869,364)**	(2,232,345)	**(3,869,364)**	(2,232,345)	**-**	-
	(3,869,364)	(2,232,345)	**(69,364)**	267,655	**(3,800,000)**	(2,500,000)
Balance at 31 March	**16,068,992**	14,532,012	**1,792,850**	1,764,841	**14,276,142**	12,767,171

Defined benefit obligation

(i) Actuarial assumptions

The followings were the principal actuarial assumptions at the reporting date :

	31 March 2020	31 March 2019
Discount rate	**9.47%**	9.47%
Future salary growth	**10.00%**	10.00%

Assumptions regarding future mortality have been used based on published statistics and mortality tables. As there is no published mortality table in Bangladesh and hence the Indian Assured Life Mortality rate (2012-14) ultimately based on the mortality experience of assured lives in India is being used as a reasonable approximation. The current longevities underlying the values of the defined obligations at the reporting date was adopted from Indian Life Mortality table.

(ii) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 March 2020		31 March 2019	
Effect in taka	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	**(13,506,000)**	**19,214,681**	(13,506,000)	19,214,681
Future salary growth (1% movement)	**19,230,523**	**(13,450,119)**	19,230,523	(13,450,119)

Although the analysis does not take of full distribution of cash flows expected under the plan, it does provide an approximation of sensitivity of the assumptions shown.

The Company has a funded gratuity scheme recognized by National Board of Revenue (NBR). Contributions to the fund by the Company were recognized in profit and loss of the Company but the value of plan assets and present value of defined benefit obligation were not in the financial statement of the Company till 2019. The fair value of plan assets and present value of defined benefit obligation was first recognized in the financial statements of the Company starting from 2020 as per IAS 19 "Employee Benefits". The amounts were recognised as per Actuarial Valuation Report carried out by professional actuary for the year ended 31 March 2020.

19. Revenue

See accounting policy in Note 33 (K)

In Taka			For the period ended 31 March 2020	2019
Gross Sale:				
Sales of product - local			**2,433,796,984**	1,637,340,318
Service revenue			**34,283,123**	25,944,445
			2,468,080,107	1,663,284,763
Less:	Value Added Taxes (VAT)		**(313,615,252)**	(221,691,206)
	Supplimentary Duty (SD)		**(81,572,948)**	(38,438,516)
	Discounts and rebates		**(451,465,984)**	(321,865,820)
			1,621,425,923	1,081,289,221
Sales - export			**851,193**	3,602,129
			1,622,277,116	1,084,891,350

20. Cost of goods sold

Raw and packaging material		**1,057,954,086**	753,180,139
Direct labour	*20 (A)*	**55,065,925**	31,459,210
		1,113,020,011	784,639,349
Direct expenses:			
Power and gas		**6,859,780**	4,998,660
Repairs and indirect materials		**3,585,373**	3,519,867
Depreciation		**21,414,937**	16,052,218
Other production overhead	*20 (B)*	**25,003,385**	20,536,363
Movement in work in progress & finished goods		**6,553,714**	7,001,739
Application charges (SLE)		**8,735,052**	18,562,799
		1,185,172,252	855,310,995

A. Direct labour

Salaries and wages	**27,016,790**	18,226,408
Overtime	**1,911,909**	1,093,568
Bonus	**1,942,054**	1,494,790
Temporary labour wages	**19,384,772**	7,576,157
Gratuity fund	**1,148,838**	658,410
Provident fund	**1,149,068**	743,489
Leave encashment	**1,180,704**	727,213
Group life insurance	**221,947**	164,385
Health and other welfare expense	**35,483**	14,960
Staff welfare	**1,074,360**	759,830
	55,065,925	31,459,210

B. Other production overhead

In Taka		For the period ended 31 March 2020	2019
Demurrage		**8,802,246**	6,643,681
Insurance		**4,130,609**	3,012,040
Travelling, haulting & fooding expenses		**2,687,640**	1,980,506
Rent & rates		**664,650**	596,925
Fuel, toll & vehicle maintenance		**848,454**	559,298
Security & safety		**2,319,039**	1,845,588
Other expenses		**5,550,748**	5,898,325
		25,003,386	20,536,363

21. Administrative expenses

Staff cost	*21 (A)*	**30,879,119**	20,139,384
Telephone, postage & supplies		**3,648,486**	2,319,057
Office repairs and maintenance	*21 (B)*	**7,341,097**	2,606,382
Registration and renewal		**1,207,853**	1,047,350
Legal and professional fees		**895,927**	1,620,604
Audit fees		**1,141,900**	316,250
Vehicle repair & maintenance		**1,746,881**	1,521,073
Rent, rates and taxes		**12,159,181**	2,884,200
Insurance		**319,268**	358,340
Depreciation		**1,807,999**	3,374,931
Others		**439,042**	472,791
		61,586,753	36,660,362

A. Staff cost

Salaries and wages	**20,080,254**	14,525,287
Bonus	**1,506,682**	979,020
Incentive	**9,500**	-
Leave encashment	**911,355**	656,329
Gratuity expenses	**857,978**	104,313
Employers contribution to Provident Fund	**833,048**	4,649
Staff welfare and fooding expenses	**1,949,868**	604,901
Hotel, conveyance, tour and ticket	**1,113,125**	745,178
Group life insurance	**155,863**	125,204
Foreign technician expenses	**3,461,446**	2,394,503
	30,879,119	20,139,384

B. Office repairs and maintenance

Repairs and maintenance	**5,603,875**	1,727,660
Electricity, gas and water	**1,737,222**	878,722
	7,341,097	2,606,382

22. Selling expenses

In Taka	*Note*	For the period ended 31 March 2020	2019
Staff cost	*22 (A)*	**155,287,362**	115,755,466
Advertisement		**41,827,562**	6,743,642
Royalty		**14,545,295**	4,890,846
Telephone, postage & supplies		**4,565,986**	3,761,733
Freight and transportation/delivery expenses		**44,565,188**	30,737,293
Business promotion		**57,744,057**	20,799,930
Travel, entertainment & others		**5,883,207**	4,229,029
Security and guard expenses		**4,784,052**	3,538,130
Rent, rates and taxes		**11,246,561**	8,016,228
Vehicle repairs and maintenance		**10,684,070**	8,204,048
Other repairs and maintenance	*22 (B)*	**4,133,964**	3,385,255
Bad and doubtful debts		**5,739,543**	1,039,131
Amortization		**248,266**	185,861
Depreciation		**6,265,264**	9,334,555
		367,520,377	220,621,147

A. Staff cost

Salaries and wages	**124,239,050**	90,509,190
Bonus and incentive	**20,901,472**	14,786,149
Gratuity*	**(1,724,983)**	2,157,974
Provident fund	**4,299,341**	2,739,810
Group life insurance	**729,128**	585,648
Leave encashment	**4,561,656**	2,822,367
Fooding expenses & others	**2,281,698**	2,154,328
	155,287,362	115,755,466

*The Company has obtained actuarial valuation of its funded gratuity scheme in 2020 as detailed in note 18(C) and reversed the previously recognised excess expenses to account for the remeasurement loss in other comphrehensive income.

B. Other repairs and maintenance

Electricity, gas and water	**590,575**	520,328
Other maintenance	**3,543,389**	2,864,927
	4,133,964	3,385,255

23. Other income/(expenses)

Sales of scrap	**3,200,360**	-
Gain/(loss) on sale of property, plant and equipment	**47,334**	(444,248)
Miscellaneous income	**5,672,315**	3,163,460
	8,920,009	2,719,212

24. Net finance cost

See accounting policy in 33 (N) & (O)

		For the period ended 31 March	
In Taka	***Note***	**2020**	**2019**
Finance income	*24(A)*	**113,324**	70,678
Finance cost	*24(B)*	**(134,500,384)**	(79,465,796)
		(134,387,060)	(79,395,118)

A. Finance income

Interest income	**113,324**	70,678
Exchange gain	**-**	-
	113,324	70,678

B. Finance cost

Interest expenses	**131,828,601**	78,417,932
Exchange loss	**2,671,783**	1,047,864
	134,500,384	79,465,796

25. Income tax expense

See accounting policy in 33(G)

Current tax expense	**12,139,838**	8,314,621
Total income tax expenses	**12,139,838**	8,314,621

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 0.60% of total gross receipts or (c) tax deducted at source for export and at the time of sale u/s 52 and 53BBBB (as covered u/s 82C) of the Income Tax Ordinance 1984. As tax calculated on gross receipts is higher, we have considered the tax calculated on the gross reciepts as tax expenses during the period of income year.

26. Contingent liabilities

In Taka	31 March 2020	31 March 2019
Letter of credit	**174,690,000**	101,427,596
Bank guarantee (local)	**882,676**	882,676
Bank guarantee (foreign)	**-**	10,380,000
Income tax demand for assessmemt year 2013-2014	**17,205,713**	17,205,713
	192,778,389	129,895,985

27. Capital expenditure commitment

There was no capital expenditure commitments at period ended 31 March 2020 (2019: Nil).

28. 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 404 (2019: 410).

29. Earnings Per Share

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

30. 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.

On 11 March 2020, COVID-19 has been declared a pandemic by the World Health Organization, and our government has taken restrictive measures to contain its further spread affecting free movement of people and goods. As consequence, the COVID-19 outbreak has brought about additional challenges in the Company's operating environment and has impacted the Company's operations in Bangladesh and its financial position subsequent to the financial year end.

The Company is closely monitoring the impact of the developments on the Company's businesses. As far as the Company's businesses are concerned, the outbreak has caused production and delivery delays. As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects unknown.

31. 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.

32. Related party transactions

32.1 Parent and ultimate controlling party

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

32.2 Key management personnel compensation

Key management personnel compensation comprised the following:

Nature of related party transactions	Transaction value for the period ended 31 March		Balance outstanding as at 31 March	
In taka	2020	2019	2020	2019
Short-term employee benefits	**2,040,000**	1,530,000	-	-
	2,040,000	1,530,000	-	-

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

32.3 Other related party transactions

Name of party	Nature of related party transactions	Transaction value for the period ended 31 March		Balance outstanding as at 31 March	
In taka		2020	2019	2020	2019
Transactions with parent company					
Kansai Nerolac Paints Limited, India	Royalty	**14,545,295**	4,890,846	**(19,436,141)**	(4,890,846)
Transactions with other related parties (under common control)					
Mohammad Trading	Loan & Interest Payable	**226,375,767**	121,260,917	**(138,881,783)**	(121,260,917)
	Purchase	**3,350**	-	**(3,126)**	-
	Sales	**-**	-	**104**	-
Future Trading Co.	Receivable	**-**	-		-
Green Planet Communication Private Ltd	Services Procurement	**-**	21,007	**-**	-
Speedway International	C&F Agent	**12,824,181**	11,279,698	**(106,442)**	(4,673,327)
	Transport Services	**3,639,069**		**(1,239,069)**	
Sky Bird Travels Private Ltd	Travel Agency	**134,100**	1,357,300	**(65,807)**	(2,700)
Mr Qamar Uz Zaman	Loan (Promoter)	**-**	15,569	**1,174,484**	1,174,484
Mr SAK Ekramuzzaman	Rent	**1,881,000**	3,762,000	**-**	-
Star Porcelain Private Ltd	Sales	**82,468**	157,214	**(71,290)**	308,761
	Purchase (Promotional Items)	**1,738,562**	424,880	**(534,324)**	(744,021)
Star Ceramics Private Ltd	Sales	**368,295**	349,469	**(242,501)**	226,705
	Receivable	**-**	86,404	**(183,452)**	86,404
Automatic Bricks & Ceramics Private Ltd	Sales	**15,216**	18,919	**(15,216)**	-
Rakeen Development Co. BD Ltd	Sales	**6,181,409**	2,351,755	**(4,758,437)**	76,634
	Depot Rent & Expenses	**975,406**	733,772	**(74,855)**	(705,126)
Wizemanns Boggie Consultants Private Ltd	Service Provider	**-**	904,800	**(120,000)**	(509,600)
	Advance	**-**	-	**100,000**	120,000
RAK Mosfly Bangladesh Private Ltd	Sales	**56,149**	42,595	**(99,835)**	43,517
	Loan Receivable	**-**	2,415,000	**1,280,873**	1,280,873
	Loan Payable	**-**	-	**-**	-
RAK Ceramics Bangladesh Ltd	Sales	**242,971**	1,078,993	**(300,299)**	278,169
	Depot Rent & Expenses	**3,396,142**	3,961,281	**(546,142)**	(285,000)
RAK Security & Services Private Ltd	Security Services provider	**6,487,206**	4,667,874	**(1,655,400)**	(2,466,485)
RAK Power Limited	Sales	**12,969**	13,259	**(213)**	13,182
Palli Properties Pte Ltd.	Sales	**127,870**	15,948	**12**	5
	Service Provider & Exp	**12,691,585**	821,265	**(219,901)**	(92,000)
Palli Enterprises International	Sales	**-**	-	**(199,756)**	-
Pelikan Plastic & Packaging Pvt Ltd	Packaging Material Supplier	**10,253,722**	7,181,235	**(940,250)**	(1,779,674)
	Sales	**3,999**	-	**(80)**	-
S M Knitware Ltd	Purchase (Promotional Items)	**-**	-	**(678,440)**	(678,440)
Kea Printing & Packaging	Purchase	**38,440**		**-**	
Kansai Nerolac Paints Limited, India	Purchase	**12,884,879**	-		-
		314,960,050	167,811,999	**(167,817,286)**	(134,479,402)

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.

33. Significant accounting policies

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

Previous period's/year's figures have been rearranged, where necessary, to conform with current period's/year's presentation along with the explanatory notes, if material.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

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.

33. Significant accounting policies (continued)

B. 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.

C. Inventories

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

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. Recognition and initial measurement

Trade receivables when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

33. Significant accounting policies (continued)
D. Financial instruments (continued)

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets include cash and cash equivalents, trade and other receivables, and long term receivables and deposits.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and all cash deposits with maturities of six months or less 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.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

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 trade and other payables etc.

33. Significant accounting policies (continued)
D. Financial instruments (continued)

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.

Loans and borrowings

Bank overdrafts that are repayable on demand and short term loans and borrowings are stated at their costs. Short term loans repayable within twelve months from the date of statement of financial position. Those are classified as current liabilities whereas unpaid interest and other charges are classified as current liabilities.

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.

33. Significant accounting policies (continued)

F. Employee benefits

The Company maintains defined benefit plan (funded gratuity fund), contribution plan (provident fund) and employee leave encashment benefit for its eligible permanent employees.

i. Defined benefit plan (gratuity)

The Company operates a funded gratuity scheme, provision in respect of which is made covering all its permanent eligible employees. Provision for gratuity payable is calculated by way of multiplying number of years served with the last drawn monthly basic salary. A service period of more than eight months with the Company is considered as full year service for the purpose of gratuity calculation. The employees should complete the minimum three (3) years on the date of resignation/retirement/termination from the company. No gratuity benefits shall be paid if the employees do not complete minimum three (3) of years services with the compnay.

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 recognized 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 contribute 10% of their basic salary to the provident fund and the Company also makes the same 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.

iii. Employee leave encashment

Employee leave encashment is the benefit provided to employees who have completed 1 (one) year of continuous service in an establishment. The employees shall be allowed, during the following period of 12 months leave with wages for days calculated on the basis of the works of the preceding 12 months at the rate of 1(one) day for every 18 (eighteen) days of work. Notwithstanding anything contained above, an employee shall cease to earn any leave, when the earned leave due to him amounts to 60 (sixty) days.

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).

33. Significant accounting policies (continued)

G. Taxation (continued)

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.

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

Transactions 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.

33. Significant accounting policies (continued)

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. To achieve that core principle, this standard establishes a five-step model as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company recognises revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. Goods is considered as transfer when (or as) the customer obtains control of that goods. Revenue from sale of goods is measured at the fair value of the consideration received or receivable net of return, trade discount and Value Added Tax (VAT).

L. Allocation of costs

The Company allocates, among units, its operating expenses on the basis of gross profit ratio/actual expenses and manufacturing overheads on the basis of production hour/actual expenses.

M. Borrowing cost

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

N. 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.

O. 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.

P. Share capital

Ordinary shares issued by the Company are classified as equity.

Q. Reporting period

These financial statements cover from 1 April 2019 to 31 March 2020 and 1 July 2018 to 31 March 2019.

R. Statement of cash flows

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

S. 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 30.

33. Significant accounting policies (continued)

T. Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The adoption of this standard had no impact on the Company's financial statements. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

i. Policy applicable from 1 April 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 April 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

33. Significant accounting policies (continued)

T. Leases (continued)

ii. Policy applicable before 1 April 2019

For contracts entered into before 1 April 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

– fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
– the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

34. Going concern

The accumulated loss of the Company was BDT 928,767,779 as at 31 March 2019. The Company made further loss of Tk 129,609,155 and other comprehensive loss of Tk 5,027,136 during the year. As a result, total accumulated loss and net equity as at 31 March 2020 stood at Tk 1,063,404,070 and Tk. 443,404,070 respectively. The Company has also incurred negative cash flows from operations Tk 345,183,173 during the year.

The financial statements have been prepared on a going concern basis (notwithstanding above mentioned facts) which the directors believe to be appropriate as the Company has neither any intention nor any legal or regulatory compulsion to liquidate or curtail materially the scale of its operations. In addition, the management do not see any issue with respect to going concern due to recent pandemic COVID-19. 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 for the following reason:

Kansai Nerolac Paints Ltd. (the Company's immediate holding company) has indicated that for at least 12 months from the date of approval of the financial statements, it will continue to make available such funds as are needed by the Company. The management consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the management believe that it remains appropriate to prepare the financial statements on a going concern basis.