

**Audited Financial Statements
of
Kansai Nerolac Paints (Bangladesh) Limited
(Formerly known as RAK Paints Ltd.)
For the year ended 31 March 2021**

Hoda Vasi Chowdhury & Co

Chartered Accountants

Auditor's report to the Group Auditor on the audit of financial information for group audit of Kansai Nerolac Paints (Bangladesh) Limited :

To: Anil Johanputra, 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 2021 of Kansai Nerolac Paints Limited, the accompanying financial statements of Kansai Nerolac Paints (Bangladesh) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2021, 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 2021, 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 requirements 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.

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.

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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 2021 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: **Mr. A F Nesaruddin**

Hoda Vasi Chowdhury & Co.

Dhaka, 30 April 2021

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Hoda Vasi Chowdhury & Co

Kansai Nerolac Paints (Bangladesh) Limited

(Formerly known as RAK Paints Ltd.)

Statement of financial position

As at 31 March 2021

ASSETS	Notes	2021 Taka	2020 Taka
Non-current assets			
Property, plant and equipment	05	143,660,694	157,236,204
Intangible assets	06	719,536	535,874
Capital work in progress	07	342,903	-
Right-of-use assets	08	28,747,651	-
		173,470,784	157,772,078
Current assets			
Inventories	09	525,400,340	388,653,817
Trade and other receivables	10	636,077,763	465,600,441
Advances, deposits and prepayments	11	38,007,014	41,995,659
Advance corporate income tax	12	238,720,479	171,843,447
Cash and cash equivalents	13	141,996,445	110,182,133
		1,580,202,041	1,178,275,497
TOTAL ASSETS		1,753,672,825	1,336,047,575
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	920,000,000	620,000,000
Share money deposit	15	4,013	-
Accumulated loss		(1,130,084,170)	(1,063,404,070)
		(210,080,157)	(443,404,070)
Non-current liabilities			
Employees benefits-non current portion	16	569,900	14,146,898
Lease liability-non current portion	17	11,244,536	-
		11,814,436	14,146,898
Current liabilities			
Employees benefits-current portion	16	15,088,399	51,856,440
Lease liability-current portion	17	16,136,930	-
Loan and borrowings	18	1,447,453,868	1,314,099,091
Trade and other payables	19	294,933,221	245,381,893
Accruals and other payables	20	133,921,597	123,636,120
Current tax liabilities	21	44,404,531	30,331,203
		1,951,938,546	1,765,304,747
TOTAL LIABILITIES		1,963,752,982	1,779,451,645
TOTAL EQUITY AND LIABILITIES		1,753,672,825	1,336,047,575

These financial statements should be read in conjunction with annexed notes



Director



Chairman

As per our report of same date.



Chartered Accountants

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Dhaka, 30 April 2021

Kansai Nerolac Paints (Bangladesh) Limited
(Formerly known as RAK Paints Ltd.)
Statement of profit or loss and other comprehensive income
For the period ended 31 March 2021

	<u>Notes</u>	<u>2021</u> <u>Taka</u>	<u>2020</u> <u>Taka</u>
Revenue	22	1,864,042,133	1,622,277,116
Cost of goods sold	23	(1,366,758,460)	(1,185,172,252)
Gross profit		497,283,673	437,104,864
Administrative expenses	24	(66,616,523)	(61,586,753)
Selling expenses	25	(372,241,865)	(367,520,377)
Other income	26	13,070,288	8,920,009
Operating profit		71,495,573	16,917,743
Finance income	27.1	207,779	113,324
Finance cost	27.2	(121,996,644)	(134,500,384)
Loss before tax		(50,293,292)	(117,469,317)
Income tax expense	28	(14,073,328)	(12,139,838)
Loss after tax		(64,366,620)	(129,609,155)
Net profit for the year		(64,366,620)	(129,609,155)
Other comprehensive loss		(2,313,480)	(5,027,136)
Total other comprehensive loss for the year		(66,680,100)	(134,636,291)
Earnings per share (EPS) (in Taka)	29	(0.93)	(2.09)

These financial statements should be read in conjunction with annexed notes



Director



Chairman

As per our report of same date.



Chartered Accountants

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Dhaka, 30 April 2021

**Kansai Nerolac Paints (Bangladesh) Limited
(Formerly known as RAK Paints Ltd.)
Statement of changes in equity
For the period ended 31 March 2021**

(Amounts in Taka)

Particulars	Share capital	Share money deposit	Accumulated loss	Total
Balance at 1 April 2020	620,000,000	-	(1,063,404,070)	(443,404,070)
Share money deposit transferred to share capital	300,000,000	(300,000,000)	-	-
Share money received	-	300,004,013	-	300,004,013
Loss for the period	-	-	(64,366,620)	(64,366,620)
Other comprehensive income for the period	-	-	(2,313,480)	(2,313,480)
Balance at 31 March 2021	920,000,000	4,013	(1,130,084,170)	(210,080,157)
Balance at 1 April 2019	620,000,000	-	(928,767,779)	(308,767,779)
Share money deposit transferred to share capital	-	-	-	-
Share money received	-	-	-	-
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)

These financial statements should be read in conjunction with annexed notes


Director


Chairman
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Hoda Vasi Chowdhury & Co

Kansai Nerolac Paints (Bangladesh) Limited
(Formerly known as RAK Paints Ltd.)
Statement of cash flows
For the period ended 31 March 2021

	2021	2020
	<u>Taka</u>	<u>Taka</u>
A. Cash flows from operating activities		
Cash receipts from customers and others	1,748,225,049	1,564,186,495
Cash payments to suppliers and employees	(2,045,597,966)	(1,858,290,047)
Cash generated from operating activities	(297,372,917)	(294,103,552)
Income tax paid	(66,877,032)	(51,079,621)
Net cash used in operating activities	(364,249,949)	(345,183,173)
B. Cash flows from investing activities		
Payment for acquisition of property, plant and equipment	(16,598,298)	(13,804,898)
Proceeds from sale of property, plant and equipment	477,359	29,666,308
Payment for acquisition of capital work in progress	(342,903)	-
Payment for acquisition of intangible assets	(575,000)	-
Interest received on bank deposit	207,779	113,324
Net cash (used in)/from investing activities	(16,831,063)	15,974,734
C. Cash flows from financing activities		
Issuance of new share	300,000,000	-
Receipt of share money deposit	4,013	-
Proceeds from loan and borrowings	133,354,777	362,986,615
Lease payment	(20,463,467)	-
Net cash from financing activities	412,895,323	362,986,615
D. Net decrease in cash and cash equivalents (A+B+C)	31,814,311	33,778,176
Cash and cash equivalents at beginning of the year	110,182,133	76,403,957
Cash and cash equivalents at end of the year	<u>141,996,445</u>	<u>110,182,133</u>

These financial statements should be read in conjunction with annexed notes


Director


Chairman
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**Kansai Nerolac Paints (Bangladesh) Limited
(Formerly known as RAK Paints Ltd.)
Notes to the financial statements
For the period ended 31 March 2021**

01 Reporting entity

1.1 Company profile

Kansai Nerolac Paints (Bangladesh) Limited formerly known as RAK Paints Limited (hereinafter referred to as "the Company"), is a private company limited by shares, was incorporated in Bangladesh under the Companies Act, 1994 vide registration no. C -76335/09 dated 20 April 2009 and currently has its registered office at RAK Tower (12th Floor), Plot No. # 1, Jasimuddin Avenue, Sector # 3, Uttara Model Town, Dhaka-1230. The authorised capital of the Company is Taka 1 billion divided into 100 million ordinary shares of Taka 10 each as on 31 March 2021. The paid up capital stands at Taka 920 million as on 31 March 2021. The Company started its commercial operation on 02 April 2011.

Pursuant to the provisions of the Companies Act, 1994, the Company applied to the Registrar of Joint Stock Companies and Firms (RJSC) to change the name from RAK Paints Ltd. to Kansai Nerolac Paints (Bangladesh) Limited which was duly approved on 17 August 2020.

1.2 Nature of business

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.

02 Basis of preparation of financial statements

The Financial Reporting Act, 2015 (FRA) was enacted in 2015. The Financial Reporting Council (FRC) under the FRA has been formed in 2017 but the Financial Reporting Standards (FRS) under this council is yet to be issued for public interest entities such as listed entities.

As the FRS is yet to be issued by FRC hence as per the provisions of the FRA (section-69), the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Companies Act 1994. 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.

The Company also complied with the requirements of following laws and regulations from various Government bodies:

- i. The Income Tax Ordinance, 1984; and
- ii. The Value Added Tax and Supplementary Duty Act, 2012.

2.1 Authorisation for issue

These financial statements were authorised for issue by the Board of Directors of the Company on 30 April 2021.

2.2 Comparative and reclassification

Comparative information has been disclosed for all numerical, narrative and descriptive information where it is relevant for understanding of the current year financial statements. Comparative figures have been rearranged/reclassified wherever considered necessary, to ensure better comparability with the current year financial statements and to comply with relevant IFRSs.

2.3 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.

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2.4 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.

2.5 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) Judgments

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

Lease Obligation - leases as lessee : Note - 17

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 March 2021 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 references
Property, plant and equipment	: Note - 5
Intangible assets	: Note - 6
Provision for trade receivables	: Note - 10.1
Current tax liabilities	: Note - 21
Provision for gratuity	: Note - 16.3
Contingent liabilities	: Note - 31

03 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 2020. 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.

3(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 4(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 2020.

3(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.

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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 2020. 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;
- used hindsight when determining the lease term.

3(c) Impact on financial statements

Impact on transition

On transition to IFRS 16, the Company recognised additional right-of-use assets, and additional lease liabilities. The impact on transition is summarised below.

In Taka	1 April 2020
Right-of-use assets	34,571,264
Lease liabilities	33,179,375
Prepayments (Prepaid rent)	1,391,889

For the impact of IFRS 16 on profit or loss for the period, see note 17.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted future lease payments using its incremental borrowing rate of 11% at 1 April 2020.

04 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.

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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
- (b) Intangible assets
- (c) Capital work in progress
- (d) Inventories
- (e) Financial instruments
- (f) Impairment
- (g) Employee benefits
- (h) Taxation
- (i) Foreign currency
- (j) Provisions
- (k) Contingencies
- (l) Revenue
- (m) Allocation of costs
- (n) Borrowing costs
- (o) Finance cost
- (p) Finance income
- (q) Share capital
- (r) Reporting period
- (s) Statement of cash flows
- (t) Events after the reporting date
- (u) Leases
- (v) General

4(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:

<u>Category of property, plant and equipment</u>	<u>Rate</u>
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.

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4(b) Intangible assets

(i) Recognition and measurement

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment loss, if any. Intangible asset is recognised when all the conditions for recognition as per IAS 38 "Intangible assets" are met. The cost of the intangible assets comprises its purchase price, import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. All other expenditures are recognised in profit or loss, when incurred.

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of the intangible assets, from the month they are available for use. Enterprise Resource Plan (ERP) software and other softwares are amortised at the rate of 20%.

4(c) 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.

4(d) 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.

4(e) 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.

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(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.

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.

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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.

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.

4(f) 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.

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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.

4(g) 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 company.

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.

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4(h) 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 goodwill.

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.

4(i) 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.

4(j) 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.

4(k) 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.

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4(l) Revenue

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 goods 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).

4(m) 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.

4(n) Borrowing costs

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".

4(o) Finance cost

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.

4(p) 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.

4(q) Share capital

Ordinary shares issued by the Company are classified as equity.

4(r) Reporting period

These financial statements cover from 1 April 2020 to 31 March 2021.

4(s) Statement of cash flows

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

4(t) 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 33.

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4(u) 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 2020

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 2020.

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.

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(ii) Policy applicable before 1 April 2020

For contracts entered into before 1 April 2020, 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.

4(v) General

Prior year's figures have been restated/rearranged in order to confirm to current year's presentation.

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05 Property, plant and equipment

(Amounts in Taka)

Particulars	Cost				Rate %	Accumulated depreciation				Written down value as at 31 March
	Balance as at 1 April	Addition during the year	Disposal during the year	Balance as at 31 March		Balance as at 1 April	Charged during the year	Adjustment during the year	Balance as at 31 March	
Land	23,143,600	-	-	23,143,600	-	-	-	-	-	23,143,600
Factory buildings	134,297,118	-	-	134,297,118	5%	57,874,155	6,701,033	-	64,575,188	69,721,930
Plant and machinery	105,834,924	5,123,909	-	110,958,833	10%	86,241,473	10,751,045	-	96,992,518	13,966,315
Furniture and fixture	11,433,081	487,130	-	11,920,211	10%	3,855,977	1,142,800	-	4,998,777	6,921,434
Office equipment	18,355,152	1,845,994	-	20,201,146	15%	10,562,330	1,937,071	-	12,499,401	7,701,745
Communication equipment	4,339,368	1,403,478	(69,359)	5,673,487	15%	1,891,447	693,885	(19,873)	2,565,460	3,108,027
Electrical installation	18,817,389	9,500	-	18,826,889	10%	16,510,960	1,635,791	-	18,146,751	680,138
Gas pipe line	8,885,112	-	-	8,885,112	10%	5,657,270	886,681	-	6,543,951	2,341,161
Tool and appliances	4,662,005	4,015,820	-	8,677,825	25%	2,126,354	1,613,251	-	3,739,605	4,938,220
Laboratory equipment	3,446,422	312,467	-	3,758,889	10%	1,487,205	312,646	-	1,799,851	1,959,038
Vehicles	44,296,730	3,400,000	(408,000)	47,288,730	20%	34,067,527	4,450,117	(408,000)	38,109,644	9,179,086
Total 2021	377,510,901	16,598,298	(477,359)	393,631,840		220,274,698	30,124,322	(427,873)	249,971,146	143,660,694
Total 2020	393,372,311	13,804,898	(29,666,308)	377,510,901		196,812,137	29,488,200	(6,025,640)	220,274,697	157,236,204

5.1 Depreciation charge for the year has been allocated to

	2021 Taka	2020 Taka
Cost of goods sold (note - 23)	21,733,206	21,414,937
Administrative expenses (note - 24)	2,707,586	1,807,999
Selling expenses (note - 25)	5,683,530	6,265,264
	30,124,322	29,488,200

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		2021 <u>Taka</u>	2020 <u>Taka</u>
06	Intangible assets		
	Software		
	A. Cost		
	Balance at 1 April	1,237,938	1,237,938
	Additions during the year	575,000	-
	Disposals during the year	-	-
	Balance at 31 March	1,812,938	1,237,938
	B. Accumulated amortisation		
	Balance at 1 April	702,064	453,798
	Amortisation during the year (note - 25)	391,338	248,266
	Disposals	-	-
	Balance at 31 March	1,093,402	702,064
	C. Written down value as at 31 March (A-B)	719,536	535,874
07	Capital work in progress		
	Factory office Building	342,903	-
08	Right-of-use asset		
	Building		
	A. At cost		
	Recognition of right-of-use asset on initial application of IFRS 16	34,571,264	-
	Additions made during the year	13,273,669	-
	Disposals/Adjustments during the year	-	-
	Balance at 31 March	47,844,933	-
	B. Accumulated depreciation		
	Opening balance	-	-
	Charged during the year (note - 8.1)	19,097,282	-
	Disposals/Adjustments during the year	-	-
	Balance at 31 March	19,097,282	-
	C. Written down value as at 31 March (A-B)	28,747,651	-
8.1	Depreciation charge for the year has been allocated to		
	Administrative expenses (note - 24)	10,075,926	-
	Selling expenses (note - 25)	9,021,357	-
		19,097,282	-
09	Inventories		
	Raw materials	325,763,723	158,353,482
	Stores and spares	10,774,252	6,829,098
	Packing materials	11,446,195	9,457,245
	Goods-in-transit	6,676,540	82,898,152
	Work in progress	7,935,405	6,358,720
	Finished goods	155,143,353	122,094,199
	Promotional materials	7,660,870	2,662,921
		525,400,340	388,653,817

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	2021	2020
	<u>Taka</u>	<u>Taka</u>
10 Trade and other receivables		
Trade receivables (note - 10.1)	633,363,653	465,589,502
Other receivables (note - 10.2)	2,714,110	10,939
	<u>636,077,763</u>	<u>465,600,441</u>
10.1 Trade receivables		
Trade receivables - local	583,666,459	454,779,088
A/C receivable from dealer (Tinting)	67,697,194	28,810,414
	<u>651,363,653</u>	<u>483,589,502</u>
Provision for trade receivables (note - 10.1.1)	(18,000,000)	(18,000,000)
	<u>633,363,653</u>	<u>465,589,502</u>
10.1.1 Provision for trade receivables		
Balance as at 1 April	(18,000,000)	(17,000,000)
Provision made during the year	-	(1,000,000)
Balance as at 31 March	<u>(18,000,000)</u>	<u>(18,000,000)</u>
10.2 Other receivables		
Account receivables sales of scrap	717,090	-
Accrued interest	86,107	10,939
Account receivables others	1,910,913	-
	<u>2,714,110</u>	<u>10,939</u>
11 Advances, deposits and prepayments		
Advances (note - 11.1)	27,720,034	35,775,924
Deposits (note - 11.2)	4,846,634	3,726,634
Prepayments (note - 11.3)	5,440,346	2,493,101
	<u>38,007,014</u>	<u>41,995,659</u>
11.1 Advances		
Advance to suppliers	3,419,053	12,179,141
Advance to applicators	19,346,125	32,795,479
Advance VAT and SD paid against sales	(562,841)	(14,858,934)
Other advances	5,517,697	5,660,238
	<u>27,720,034</u>	<u>35,775,924</u>
11.2 Deposits		
Advance deposit for rent	1,746,000	626,000
Security deposit for utilities	3,100,634	3,100,634
	<u>4,846,634</u>	<u>3,726,634</u>
11.3 Prepayments		
Pre paid insurance	5,394,993	1,097,535
Pre paid rent	45,353	1,395,566
	<u>5,440,346</u>	<u>2,493,101</u>

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	2021	2020
	Taka	Taka
12 Advance corporate income tax		
Import	192,423,893	138,834,642
Registration and renewal	1,653,090	1,233,590
AIT on interest on bank deposit	105,834	84,638
AIT on sales	44,524,808	31,685,368
Paid in cash	12,854	5,209
	238,720,479	171,843,447
13 Cash and cash equivalents		
Cash in hand	10,068,959	8,723,887
Cash at bank (note - 13.1)	131,927,486	101,458,246
	141,996,445	110,182,133
13.1 Cash at bank		
Current account (note - 13.2)	59,621,534	59,679,685
Short term deposit (STD) account	24,577,480	19,010,609
Margin money	47,728,472	22,767,952
	131,927,486	101,458,246
13.2 Current account		
Pubali Bank Limited	42,739,201	1,828,176
One Bank Limited	1,234,850	(64,998)
Dutch Bangla Bank Limited	5,435,231	47,869,065
Dhaka Bank Limited	265,132	904,555
Bank Asia Limited	102,256	4,315,458
State Bank of India	5,352,315	4,878,210
Rocket Account No. 100000002213	4,492,549	(148,011)
Standard Chartered Bank	-	97,230
	59,621,534	59,679,685

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		2021 <u>Taka</u>	2020 <u>Taka</u>
14 Share capital			
Authorised			
100,000,000 ordinary shares of Taka 10 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up			
92,000,000 ordinary shares of Taka 10 each		920,000,000	-
62,000,000 ordinary shares of Taka 10 each		-	620,000,000
		<u>920,000,000</u>	<u>620,000,000</u>

Percentage of shareholding

Name of the shareholders	Number of shares	Value in Taka	Percentage of holding
At 31 March 2021			
S.A.K Ekramuzzaman	38,249,600	382,496,000	41.58%
Kansai Nerolac Paints Ltd.	50,600,000	506,000,000	55.00%
Shaylin Zaman Akbar	1,575,000	15,750,000	1.71%
Qamar - Uz - Zaman	1,575,000	15,750,000	1.71%
Naeema Jahan Akhter	100	1,000	0.00%
Ashik Malek	100	1,000	0.00%
Sangam Lal	100	1,000	0.00%
Ariane Massaad	100	1,000	0.00%
	<u>92,000,000</u>	<u>920,000,000</u>	<u>100.00%</u>
At 31 March 2020			
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%
	<u>62,000,000</u>	<u>620,000,000</u>	<u>100.00%</u>

14.1 The share transfer papers of S.A.K Ekramuzzaman have already been submitted to the Registrar of Joint Stock Companies and Firms (RJSC). In this regards, the Company is waiting to receive the certified copy of the same.

14.2 The board of directors in its meeting held on 13 March 2019, approved to transfer entire holding 100 ordinary shares of Ms. Ariane Massaad a Lebanese to Mrs. Shaylin Zaman Akbar a Bangladeshi. However, in the absence of any approval from the RJSC, the transfer of shares has not been effected as yet.

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	2021 <u>Taka</u>	2020 <u>Taka</u>
15 Share money deposit		
Kansai Nerolac Paints (India) Ltd.	4,013	-
S.A.K Ekramuzzaman	-	-
	4,013	-
15.1 Movement of share money deposit		
Opening balance	-	-
Add: Received during the year		
Kansai Nerolac Paints (India) ltd.	165,004,013	-
S.A.K Ekramuzzaman	135,000,000	-
	300,004,013	-
Less: Issued to share capital		
Kansai Nerolac Paints (India) ltd.	165,000,000	-
S.A.K Ekramuzzaman	135,000,000	-
	300,000,000	-
	4,013	-
16 Employees benefits		
Employees provident fund (note - 16.1)	1,643,784	43,064,944
Employees leave enchashment (note - 16.2)	13,404,505	8,662,252
Employees gratuity fund (note - 16.3)	610,010	14,276,142
	15,658,299	66,003,338
Employees benefits are segregated as follow:		
Non-current (note - 16.3)	569,900	14,146,898
Current	15,088,399	51,856,440
	15,658,299	66,003,338
16.1 Employees provident fund		
Opening balance	43,064,944	37,073,473
Add: Addition during the period/year	14,759,102	13,594,698
	57,824,046	50,668,171
Less: Payment made during the period/year	56,180,262	7,603,227
	1,643,784	43,064,944
16.2 Employees leave enchashment		
Opening balance	8,662,252	5,123,933
Add: Addition during the period/year	8,526,382	5,992,489
	17,188,634	11,116,422
Less: Payment made during the period/year	3,784,128	2,454,170
	13,404,505	8,662,252
16.3 Employees gratuity fund		
Defined benefit obligation (note - 16.4)	22,439,529	16,068,992
Net defined benefit asset (note - 16.4)	21,829,519	1,792,850
	610,010	14,276,142
Employees gratuity fund are segregated as follow:		
Non-current	569,900	14,146,898
Current	40,110	129,244
	610,010	14,276,142

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16.4 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.

(Amounts in Taka)

	Defined benefit obligation		Fair value of asset		Net defined (asset)/liability	
	2021	2020	2021	2020	2021	2020
Balance at 1 April	16,068,992	14,532,012	1,792,850	1,764,841	14,276,142	12,767,171
Included in profit or loss		-				
Current service cost	4,477,178	3,417,029	-	-	4,477,178	3,417,029
Past service cost	-	-	-	-	-	-
Interest cost (income)	1,407,933	1,025,837	319,260	163,846	1,088,673	861,991
	5,885,111	4,442,866	319,260	163,846	5,565,851	4,279,020
Included in OCI						
Remeasurement loss (gain):						
-Actuarial loss (gain) arising from:						
-demographic assumption	-	-	-	-	-	-
-financial assumption	254,384	-	-	-	254,384	-
-experience adjustment	2,634,429	963,478	-	-	2,634,429	963,478
- return on assets	-	-	575,333	(66,473)	(575,333)	66,473
	2,888,813	963,478	575,333	(66,473)	2,313,480	1,029,951
Other						
Contribution paid by the employer	-	-	5,603,228	3,800,000	(5,603,228)	(3,800,000)
Increase due to plan combination	-	-	15,942,235	-	(15,942,235)	-
Benefits paid	(2,403,387)	(3,869,364)	(2,403,387)	(3,869,364)	-	-
	(2,403,387)	(3,869,364)	19,142,076	(69,364)	(21,545,463)	(3,800,000)
Balance at 31 March	22,439,529	16,068,992	21,829,519	1,792,850	610,010	14,276,142

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34 Related party transactions**34.1 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.

34.2 Key management personnel compensation

Key management personnel compensation comprised the following:

Nature of related party transactions	Transaction for the year		Balance outstanding	
	2021	2020	2021	2020
Short-term employee benefits	2,040,000	2,040,000	-	-

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

34.3 Other related party transactions

Name of party	Nature of related party transactions	Transaction for the year		Balance outstanding	
		2021	2020	2021	2020
Transactions with parent company					
Kansai Nerolac Paints Limited, India	Royalty	18,785,604	14,545,295	(38,221,746)	(19,436,141)
Transactions with other related parties (under common control)					
Mohammad Trading	Loan & Interest Payable	2,439,277	226,375,767	(550,000)	(138,881,783)
	Purchase	3,648	3,350	-	(3,126)
	Advance	-	-	104	104
Speedway International	C&F Agent	9,262,157	12,824,181	-	(106,442)
	Transport Services	5,212,665	3,639,069	(1,233,287)	(1,239,069)
Sky Bird Travels Private Ltd	Travel Agency	137,973	134,100	(99,988)	(65,807)
Mr Qamar Uz Zaman	Loan (Promoter)	-	-	1,174,484	1,174,484
Mr SAK Ekramuzzaman	Rent	1,655,280	1,881,000	-	-
Balance carried forward		37,496,604	259,402,762	(38,930,433)	(158,557,779)

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Name of party	Nature of related party transactions	Transaction for the year		Balance outstanding	
		2021	2020	2021	2020
Balance brought forward		37,496,604	259,402,762	(38,930,433)	(158,557,779)
Star Porcelain Private Ltd	Sales	37,902	82,468	109,192	71,290
	Purchase (Promotional Items)	1,545,340	1,738,562	135,257	(534,324)
Star Ceramics Private Ltd	Sales	110,116	368,295	43,116	242,501
	Receivable	-	-	28,000	183,452
Automatic Bricks & Ceramics Private Ltd	Sales	206,499	15,216	221,716	15,216
Rakeen Development Co. BD Ltd	Sales	22,259,168	6,181,409	10,723,106	4,758,437
	Depot Rent & Expenses	1,008,770	975,406	(319,079)	(74,855)
Wizemanns Boggie Consultants Private Ltd	Service Provider	-	-	(100,000)	(100,000)
	Advance	-	-	120,000	120,000
RAK Mosfly Bangladesh Private Ltd	Sales	91,425	56,149	191,261	99,835
	Loan Receivable	-	-	880,873	1,280,873
	Loan Payable	-	-	-	-
RAK Ceramics Bangladesh Ltd	Sales	375,275	242,971	666,021	300,299
	Depot Rent & Expenses	1,443,610	3,396,142	(266,390)	(546,142)
RAK Security & Services Private Ltd	Security Services provider	6,659,169	6,487,206	(1,137,308)	(1,655,400)
RAK Power Limited	Sales	115,902	12,969	7,057	213
Palli Properties Pte Ltd.	Sales	186,873	127,870	6,133	(12)
	Service Provider & Exp	12,845,994	12,691,585	(226,802)	(219,901)
Palli Enterprises International	Sales	-	-	20,685	199,756
Pelikan Plastic & Packaging Pvt Ltd	Packaging Material Supplier	13,276,635	10,253,722	(2,544,737)	(940,250)
	Sales	-	3,999	-	18,851
S M Knitware Ltd	Payable	-	-	(678,440)	(678,440)
Kea Printing & Packaging	Purchase	-	38,440	-	-
Kansai Nerolac Paints Limited, India	Purchase	30,668,309	12,884,879	(11,592,277)	-
	Commission Receivable	1,790,700	-	1,790,700	-
M/s Ekramuzzaman	Purchase	102,591	-	(24,115)	-
	Service	134,674	-	-	-
		130,355,556	314,960,050	(40,876,464)	(156,016,380)

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.

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	2021	2020
Defined benefit obligation	<u>Taka</u>	<u>Taka</u>
16.4.1 Net Defined Benefit Liability/ (Asset) reconciliation		
Balance at 1 April	14,276,141	11,002,332
Defined Benefit Cost included in Profit and loss	5,565,852	4,279,020
Total Remeasurements included in OCI	2,313,480	2,794,790
Amount recognised due to plan combinations	(15,942,235)	-
Employer Contributions	(5,603,228)	(3,800,000)
Balance at 31 March	<u>610,010</u>	<u>14,276,142</u>

16.4.2 Characteristics of defined benefit plans

Valuation Date	: 31 March, 2021
Sponsoring Employer	: Kansai Nerolac Paints (Bangladesh) Limited
Type of Plan	: Defined benefit
Eligibility	: As per the Company Rules / Bangladesh Labour Act 2006
Vesting Period	: 3 years (Other than Death/ Disability)
Employer's Contribution	: 1
Member's Contribution	: Nil
Benefit Basis	: Accrued benefit
Normal Retirement Benefit	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Death in Service	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Disability in Service	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Death, Disability, Early Retirement / Termination/ Resignation / Withdrawal	: As per the Company Rules / Bangladesh Labour Act 2006.
Maximum limit on Benefits	: No Limit
Gratuity Formula	: $15/26 * \text{Last drawn salary} * \text{Number of completed years of service}$
Normal Retirement Age	: 60 Years
Month of release of Annual salary increment	: January

16.4.3 Actuarial assumptions

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

	2021	2020
	<u>Rate</u>	<u>Rate</u>
Discount rate	9.41%	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.

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16.4.4 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.

	2021	2020
	<u>Taka</u>	<u>Taka</u>
Increase of discount rate (1% movement)	(3,835,924)	(2,562,991)
Decrease of discount rate (1% movement)	4,774,553	3,145,690
Increase of future salary growth (1% movement)	4,639,469	3,161,532
Decrease of future salary growth (1% movement)	(3,807,727)	(2,618,872)

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 2021.

16.4.5 Maturity profile defined benefit obligations

	<u>Taka</u>
Year 1	40,110
Year 2	182,775
Year 3	55,277
Year 4	66,199
Year 5	233,307
Year 6	280,442
Year 7	110,589
Year 8	133,231
Year 9	1,419,675
Year 10	243,558

The weighted average duration of the defined benefit obligation is 24.45

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		2021 <u>Taka</u>	2020 <u>Taka</u>
17	Lease obligation - leases as lessee		
17.1	Lease liabilities recognized in statement of financial position		
	Lease liability-non current portion	11,244,536	-
	Lease liability-current portion	16,136,930	-
		<u>27,381,466</u>	<u>-</u>
17.2	Amounts recognized in profit or loss		
	Interest on lease obligation	3,499,795	-
	Depreciation expense	19,097,282	-
		<u>22,597,078</u>	<u>-</u>
17.3	Amounts recognized in statement of cash flows		
	Total cash outflows for leases	<u>(20,071,373)</u>	<u>-</u>
17.4	Movement in lease payable		
	Recognition of lease liability on initial application of IFRS 16	33,179,375	-
	Additions during the year	10,773,669	-
	Interest charged during the year	3,499,795	-
	Payment made during the year	(20,071,373)	-
		<u>27,381,466</u>	<u>-</u>
18	Loan and borrowings		
	Bank overdraft (note - 18.1)	637,315,639	531,919,813
	Short term borrowings (note - 18.2)	809,588,229	663,515,285
	Loan from Mohammed Trading	550,000	118,663,993
		<u>1,447,453,868</u>	<u>1,314,099,091</u>
18.1	Bank overdraft		
	State Bank of India	307,542,171	423,179,547
	Standard Chartered Bank	101,673,497	-
	Pubali Bank Limited	222,284,419	99,268,028
	Bank Asia Limited	5,815,552	9,472,237
		<u>637,315,639</u>	<u>531,919,813</u>
18.2	Short term borrowings		
	Bank Asia Limited	82,590,040	17,801,324
	One Bank Limited	69,141,513	45,713,961
	Pubali Bank Limited	57,856,676	-
	Standard Chartered Bank	600,000,000	600,000,000
		<u>809,588,229</u>	<u>663,515,285</u>
19	Trade and other payables		
	Trade payables	256,711,475	225,945,752
	Other payables - intercompany (note - 19.1)	38,221,746	19,436,141
		<u>294,933,221</u>	<u>245,381,893</u>
19.1	The Company entered into an agreement with its parent Kansai Nerolac Paints Ltd. to pay royalty at the rate of 1% to 3% on its sales value less Value Added Tax (VAT), Supplementary Duty (SD), commission and discount on sell of goods. The agreement is effective from 1 January 2019.		

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	2021	2020
	<u>Taka</u>	<u>Taka</u>
20 Accruals and other payables		
TDS and VDS payables	15,746,781	27,144,844
Advance from customers against sales	11,527,404	17,767,675
Power and Gas	1,234,500	602,000
Staff cost	26,647,340	9,648,704
Audit fees	575,000	230,000
Telephone	430,000	320,000
Interest	11,703,411	7,510,772
Others	66,057,161	60,412,125
	<u>133,921,597</u>	<u>123,636,120</u>
21 Current tax liabilities		
Opening balance	30,331,203	18,191,365
Add: Provision for the period	14,073,328	12,139,838
	<u>44,404,531</u>	<u>30,331,203</u>
Less: Adjustment during the year	-	-
Closing balance	<u>44,404,531</u>	<u>30,331,203</u>

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	2021	2020
	<u>Taka</u>	<u>Taka</u>
22 Revenue		
Sales of product - local	3,154,119,438	2,433,796,984
Service revenue	2,130,838	34,283,123
	3,156,250,276	2,468,080,107
Less: Value Added Taxes (VAT)	(355,499,829)	(313,615,252)
Supplimentary Duty (SD)	(105,397,318)	(81,572,948)
Discounts and rebates	(861,146,680)	(451,465,984)
	1,834,206,449	1,621,425,923
Sales - export	29,835,684	851,193
	1,864,042,133	1,622,277,116
23 Cost of goods sold		
Raw and packaging material	1,261,839,233	1,057,954,086
Direct labour (note - 23.1)	57,259,258	55,065,925
Direct expenses (note - 23.2)	34,307,602	31,860,089
Other production overhead (note - 23.3)	25,522,012	25,003,386
Movement in work in progress and finished goods	(12,595,161)	6,553,714
Application charges (SLE)	425,516	8,735,052
	1,366,758,460	1,185,172,252
23.1 Direct labour		
Salaries and wages	27,637,244	27,016,790
Overtime	1,618,941	1,911,909
Bonus	2,366,654	1,942,054
Temporary labour wages	20,787,493	19,384,772
Gratuity fund	1,211,563	1,148,838
Provident fund	1,064,525	1,149,068
Leave encashment	763,753	1,180,704
Group life insurance	71,424	221,947
Uniform to workers main plant	457,710	-
Health and other welfare expense	52,689	35,483
Staff welfare	1,227,263	1,074,360
	57,259,258	55,065,925
23.2 Direct expenses		
Power and gas	8,944,573	6,859,780
Repairs and indirect materials	3,629,823	3,585,373
Depreciation on property, plant and equipment (note - 5.1)	21,733,206	21,414,937
	34,307,602	31,860,089
23.3 Other production overhead		
Demurrage	7,245,494	8,802,246
Insurance	4,176,927	4,130,609
Travelling, hauling & fooding expenses	2,512,659	2,687,640
Rent & rates	1,575,406	664,650
Fuel, toll & vehicle maintenance	1,029,431	848,454
Security & safety	2,754,786	2,319,039
Other expenses	6,227,309	5,550,748
	25,522,012	25,003,386

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	2021	2020
	<u>Taka</u>	<u>Taka</u>
24 Administrative expenses		
Staff cost (note - 24.1)	36,241,416	30,879,119
Telephone, postage & supplies	3,133,319	3,648,486
Office repairs and maintenance	4,730,799	7,341,097
Registration and renewal	2,338,843	1,207,853
Legal and professional fees	2,139,693	895,927
Audit fees	1,164,500	1,141,900
Vehicle repair & maintenance	2,162,754	1,746,881
Rent, rates and taxes	1,252,632	12,159,181
Insurance	411,232	319,268
Depreciation on property, plant and equipment (note - 5.1)	2,707,586	1,807,999
Depreciation on right-of-use assets (note - 8)	10,075,926	-
Others	257,823	439,042
	<u>66,616,523</u>	<u>61,586,753</u>
24.1 Staff cost		
Salaries and wages	22,964,456	20,080,254
Bonus	1,936,741	1,506,682
Incentive	-	9,500
Leave encashment	2,677,135	911,355
Gratuity fund	919,058	857,978
Provident fund	815,090	833,048
Staff welfare and fooding expenses	3,176,233	1,949,868
Hotel, conveyance, tour and ticket	456,809	1,113,125
Group life insurance	55,156	155,863
Foreign technician expenses	3,240,738	3,461,446
	<u>36,241,416</u>	<u>30,879,119</u>
24.2 Office repairs and maintenance		
Repairs and maintenance	3,024,361	5,603,875
Electricity, gas and water	1,706,438	1,737,222
	<u>4,730,799</u>	<u>7,341,097</u>
25 Selling expenses		
Staff cost (note - 25.1)	163,496,119	155,287,362
Advertisement	33,013,639	41,827,562
Royalty	18,785,604	14,545,295
Telephone, postage & supplies	5,557,575	4,565,986
Registration and renewal	-	-
Freight and transportation/delivery expenses	58,809,267	44,565,188
Business promotion	42,793,888	57,744,057
Travel, entertainment & others	9,523,663	5,883,207
Security and guard expenses	4,881,029	4,784,052
Rent, rates and taxes	1,198,247	11,246,561
Vehicle repairs and maintenance	10,446,911	10,684,070
Other repairs and maintenance (note - 25.2)	5,099,144	4,133,964
Bad and doubtful debts	3,540,554	5,739,543
Depreciation on property, plant and equipment (note - 5.1)	5,683,530	6,265,264
Amortization on intangible assets (note - 6)	391,338	248,266
Depreciation on right-of-use assets (note - 8)	9,021,357	-
	<u>372,241,865</u>	<u>367,520,377</u>

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	2021	2020
	<u>Taka</u>	<u>Taka</u>
25.1 Staff cost		
Salaries and wages	123,428,912	124,239,050
Bonus and incentive	25,910,971	20,901,472
Gratuity fund	1,156,521	(1,724,983)
Provident fund	4,394,865	4,299,341
Group life insurance	233,345	729,128
Leave encashment	2,604,011	4,561,656
Fooding expenses & others	5,767,494	2,281,698
	<u>163,496,119</u>	<u>155,287,362</u>
25.2 Other repairs and maintenance		
Electricity, gas and water	645,047	590,575
Other maintenance	4,454,097	3,543,389
	<u>5,099,144</u>	<u>4,133,964</u>
26 Other income		
Sales of scrap	8,290,874	3,200,360
Gain on sale of property, plant and equipment	204,264	47,334
Miscellaneous income	4,575,150	5,672,315
	<u>13,070,288</u>	<u>8,920,009</u>
27 Net finance cost		
Finance income (note - 27.1)	207,779	113,324
Finance cost (note - 27.2)	(121,996,644)	(134,500,384)
	<u>(121,788,865)</u>	<u>(134,387,060)</u>
27.1 Finance income		
Interest income	207,779	113,324
Exchange gain	-	-
	<u>207,779</u>	<u>113,324</u>
27.2 Finance cost		
Interest expenses	116,933,886	131,828,601
Interest on lease	3,499,795	-
Exchange loss	1,562,963	2,671,783
	<u>121,996,644</u>	<u>134,500,384</u>
28 Income tax expense		
Current tax expense	14,073,328	12,139,838
Deferred tax expense	-	-
	<u>14,073,328</u>	<u>12,139,838</u>

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 receipts as tax expenses during the period of income year.

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29 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.

	2021	2020
	<u>Taka</u>	<u>Taka</u>
29.1 Basic earnings per share		
The computation of earnings per share is given below:		
Earnings attributable to the ordinary shareholders	(64,366,620)	(129,609,155)
Weighted average number of ordinary shares outstanding during the year (note - 29.1.1)	69,479,452	62,000,000
Basic earnings per share (EPS) (in Taka)	(0.93)	(2.09)

29.1.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

	2021	2020
	<u>No of share</u>	<u>No of share</u>
Issued ordinary shares as at 1 January	62,000,000	62,000,000
Effect of share issued during the year	7,479,452	-
Weighted average number of ordinary shares as at 31 March	69,479,452	62,000,000

Weighted average impact of new shares issued have been calculated considering share allotment date i.e. 31 December 2020.

29.2 Diluted earnings per share

No diluted earnings per share is required to be calculated for the year as there was no potentially dilutive ordinary shares during the year. So both basic and diluted earning per share are same.

	2021	2020
	<u>Number</u>	<u>Number</u>
30 Number of employees engaged for drawing remuneration		
Disclosure as per requirement of schedule XI Part II of Para 3 is as follows:		
(a) Above Taka 3,000 per month	407	404
(b) Below Taka 3,000 per month	-	-
	407	404

	2021	2020
	<u>Taka</u>	<u>Taka</u>
31 Contingent liabilities		
Letter of credit	475,751,681	174,690,000
Bank guarantee (local)	5,082,876	882,676
Income tax demand for assessment year 2013-2014	17,727,004	17,205,713
	498,561,561	192,778,389

32 Capital expenditure commitment

There was no capital expenditure commitments at year ended 31 March 2021 (31 March 2020: Nil).

33 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.

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35 Going concern

The accumulated loss of the Company was BDT 1,063,404,070 as at 31 March 2020. During the financial year ended 31 March 2021, the Company has experienced further loss of Taka 64,366,620 and other comprehensive loss of Taka 2,313,480. As a result, total accumulated loss and net equity as at 31 March 2021 stood at Taka 1,130,084,170 and Taka 210,080,157 respectively. The Company has also experienced negative cash flows from operations amounting to Taka 358,369,547 for the year ended 31 March 2021.

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, during the financial year ended 31 March 2021, shareholders have injected Taka 300,000,000 as share capital to support the Companies financial position. The Company is likely to make profit from the next financial year based on the Companies business plan. 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.

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