Marico Bangladesh Limited

Report and financial statements as at and for the three months ended 30 June 2019

KPMG

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Independent Auditor's Report
To the Shareholders of Marico Bangladesh Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Marico Bangladesh Limited (the "Company"), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months period 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 30 June 2019, and of its financial performance and its cash flows for the three months period 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition	
See note 6 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
Revenue recognition has significant and wide influence on financial statements. Revenue is recognised when the amounts and the related costs are reliably measured, and the performance obligation is complete through passing of control to the customers. Revenue from the sale of goods is recognised at the time when the goods are dispatched for delivery to the distributor. The sales of the Company are derived from a large number of distributors located over the country with relatively small amount of transactions. As a result, to obtain sufficient audit evidence, high magnitude of audit work and resource are required. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Company and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	Our audit procedures in this area included, among others: • We understood, evaluated and validated the key controls related to the Company's sales process from end to end, from contracts approval and sign-off, recording of sales, all the way through to cash receipts and customers' outstanding balances. • We tested the completeness of journal entries compared to financial statements; as well as if there any exception existed that the debit accounts of sales recognition were not related to cash and bank, trade receivable or advances from customers. • We conducted substantive testing of revenue recorded over the year using sampling techniques, by examining the relevant supporting documents including sales invoices and truck challans. In addition, we confirmed customer balances at the statement of financial position date.

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Independent Auditor's Report (continued)

1. Revenue recognition (continued)	
See note 6 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
We focused on the proper cut-off of sales to the Company's customers due to the fact that the documents of confirmation of dispatch of goods were provided by numerous transporting agencies based on different locations. There is a risk of differences between the timing of invoicing of products and the dispatch of the products to the company distributors. Accordingly, there could be potential misstatements that these revenue transactions are not recognised in the proper reporting periods.	• Furthermore, we tested the sales transactions recognised shortly before and after the statement of financial position date, including the sales returns recorded after that date, to test whether sales transactions were recorded in the correct reporting periods.

2. Tax provisioning and recognition of deferred tax asset	
See note 12 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
At period end the Company reported total income tax expense of BDT 298 million. The calculation of the tax expense is a complex process that involves subjective judgments and uncertainties, and requires specific knowledge and competencies. The Company has also recognised deferred tax assets for deductible temporary differences that it believes are recoverable. The recoverability of recognised deferred tax assets is in part dependent on the Company's ability to generate future taxable profits sufficient to utilise deductible temporary differences. We have determined this to be a key audit matter, due to the complexity in income tax provisioning and the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.	Our audit procedures in this area included, among others: • Use of our own tax specialists to assess the Company's tax computation. Our tax specialists were also used to evaluate tax strategies that the Company expects will enable the successful recovery of the recognised deferred tax assets taking into account the Company's tax position and our knowledge and experience of the application of relevant tax legislation; • To analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the local legislation; • Evaluating the adequacy of the financial statements disclosures, including disclosures of key assumptions, judgements and sensitivities related to tax and deferred tax.

Independent Auditor's Report (continued)

3. Valuation of inventory	
See note 18 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
Inventory is carried in the statement of financial position at the lower of cost and net realisable value. Sales in the manufacturing industry can be extremely volatile based on significant changes in consumer demand. As a result, there is a risk that the carrying value of inventory exceeds its net realisable value. Moreover, the process of estimating provision for inventories is judgmental and complex. Due to high level of judgement involved and use of some manual processes in estimating the provision and net realisable value of inventories, we considered this to be a key audit matter.	Our audit procedures were designed to challenge the adequacy of the Company's provisions against inventory included: • Corroborating on a sample basis that items on the stock ageing by items were classified in the appropriate ageing bucket; • Assessing the appropriateness of the provision percentages applied to each item and challenged the assumptions made by the management on the extent to which old inventory can be sold through various channels; • Considering the historical accuracy of provisioning and using the information obtained as evidence for evaluating the appropriateness of the assumptions made in the current period; and • We have also considered the adequacy of the Company's disclosures in respect of the levels of provisions against inventory.

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 International Financial Reporting Standards, 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.

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

Independent Auditor's Report (continued)

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of these books;

c) the statement of financial position and the statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns; and

d) the expenditure incurred was for the purposes of the Company's business.

The engagement partner on the audit resulting in this independent auditor's report is M. Mehedi Hasan.

Dhaka, 24 JUL 2019

Marico Bangladesh Limited
Statement of financial position

In Taka	*Note*	30 June 2019	31 March 2019
Assets			
Property, plant and equipment	13	**467,507,899**	468,716,557
Intangible assets	14	**3,142,571**	3,647,084
Right-of-use asset	15	**184,619,804**	-
Deferred tax assets		**35,375,308**	47,513,604
Advances, deposits and prepayments	16	**64,403,627**	51,127,555
Other financial assets	17	**3,315,065**	4,921,872
Non-current assets		**758,364,274**	575,926,672
Inventories	18	**906,758,208**	1,091,494,753
Advances, deposits and prepayments	16	**698,603,568**	435,633,515
Other financial assets	17	**2,545,581,809**	2,090,191,792
Cash and cash equivalents	19	**243,608,063**	383,101,877
Current assets		**4,394,551,648**	4,000,421,937
Total assets		**5,152,915,922**	4,576,348,609
Equity			
Share capital	20	**315,000,000**	315,000,000
Share premium		**252,000,000**	252,000,000
Retained earnings		**1,538,755,231**	735,135,754
Total equity		**2,105,755,231**	1,302,135,754
Liabilities			
Employee benefit obligation	21	**64,907,949**	64,907,949
Lease liabilities	22	**191,852,526**	-
Non-current liabilities		**256,760,475**	64,907,949
Loans and borrowings	23	**-**	200,000,000
Employee benefit obligation	21	**10,573,760**	9,665,787
Trade and other payables	24	**2,219,398,112**	2,539,270,784
Lease liabilities	22	**38,444,365**	-
Current tax liabilities	25	**521,983,979**	460,368,335
Current liabilities		**2,790,400,216**	3,209,304,906
Total liabilities		**3,047,160,691**	3,274,212,855
Total equity and liabilities		**5,152,915,922**	4,576,348,609

The notes on pages 9 to 41 are an integral part of these financial statements.

Company Secretary | Director | Managing Director | Chief Financial Officer

As per our report of same date.

Auditor

Dhaka, 24 JUL 2019

Rahman Rahman Huq
Chartered Accountants
KPMG in Bangladesh

Marico Bangladesh Limited
Statement of profit or loss and other comprehensive income

For the three months ended 30 June

In Taka	*Note*	2019	2018
Revenue	6	**2,746,102,661**	2,470,041,922
Cost of sales	7	**(1,103,761,552)**	(1,386,458,503)
Gross profit		**1,642,341,109**	1,083,583,419
General and administrative expenses	8	**(262,907,260)**	(203,978,081)
Marketing, selling and distribution expenses	9	**(279,630,932)**	(164,139,159)
Other income/(expense)	10	**(76,861)**	51,314
Operating profit		**1,099,726,056**	715,517,493
Net finance income	11	**47,705,027**	35,017,882
Profit before tax		**1,147,431,083**	750,535,375
Income tax expenses	12	**(298,638,904)**	(195,603,508)
Profit for the period		**848,792,179**	554,931,867
Other comprehensive income/(loss) for the period, net of tax		**-**	-
Total comprehensive income for the period		**848,792,179**	554,931,867
Earnings per share			
Basic earnings per share (per value of Tk 10)	26	**26.95**	17.62

The notes on pages 9 to 41 are an integral part of these financial statements.

Company Secretary | Director | Managing Director | Chief Financial Officer

As per our report of same date.

Auditor

Rahman Rahman Huq
Chartered Accountants
KPMG in Bangladesh

Dhaka, 24 JUL 2019

Marico Bangladesh Limited
Statement of changes in equity

For the three months ended 30 June 2019

	Attributable to owners of the Company			
In Taka	Share capital	Share premium	Retained earnings	Total
Balance at 1 April 2018	315,000,000	252,000,000	925,586,729	1,492,586,729
Total comprehensive income for the period				
Profit for the period	-	-	554,931,867	554,931,867
Total comprehensive income for the period	-	-	554,931,867	554,931,867
Transactions with owners of the Company				
Contributions and distributions				
Dividends	-	-	-	-
Total transactions with owners of the Company	-	-	-	-
Balance at 30 June 2018	315,000,000	252,000,000	1,480,518,596	2,047,518,596
Balance at 1 April 2019	**315,000,000**	**252,000,000**	**735,135,754**	**1,302,135,754**
Adjustment on initial application of IFRS 16	-	-	(45,172,702)	(45,172,702)
Adjusted balance at 1 April 2019	**315,000,000**	**252,000,000**	**689,963,052**	**1,256,963,052**
Total comprehensive income for the period				
Profit for the period	-	-	**848,792,179**	**848,792,179**
Total comprehensive income for the period	-	-	**848,792,179**	**848,792,179**
Transactions with owners of the Company				
Contributions and distributions				
Dividends	-	-	-	-
Total transactions with owners of the Company	-	-	-	-
Balance at 30 June 2019	**315,000,000**	**252,000,000**	**1,538,755,231**	**2,105,755,231**

The notes on pages 9 to 41 are an integral part of these financial statements.

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Marico Bangladesh Limited

Statement of cash flows

For the three months ended 30 June *In Taka*	**2019**	**2018**
Cash flows from operating activities		
Collection from customers	**2,806,864,592**	2,473,287,564
Payment to suppliers and for operating expenses	**(1,453,439,551)**	(1,338,886,873)
Cash generated from operating activities	**1,353,425,041**	1,134,400,691
Interest paid	**(2,061,034)**	(1,015,000)
Interest received	**25,178,670**	10,109,013
Income tax paid	**(224,884,964)**	(211,273,684)
Net cash from operating activities	**1,151,657,713**	932,221,020
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(36,700,781)**	(22,059,379)
Proceeds from disposal of Property,plant and equipment	**93,974**	51,314
(Investment in)/encashment of short-term investments	**(411,530,294)**	(706,878,625)
Net cash used in investing activities	**(448,137,101)**	(728,886,690)
Cash flows from financing activities		
Payment for loans and borrowings	**(200,000,000)**	-
Dividend paid	**(630,000,000)**	-
Payment for lease liabilities	**(13,014,426)**	-
Net cash used in financing activities	**(843,014,426)**	-
Net increase in cash and cash equivalents	**(139,493,814)**	203,334,330
Opening cash and cash equivalents	**383,101,877**	279,189,737
Closing cash and cash equivalents	**243,608,063**	482,524,067

The notes on pages 9 to 41 are an integral part of these financial statements.

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1. Reporting entity

1.1 Company profile

Marico Bangladesh Limited (hereinafter referred to as "MBL"/"the Company") is a public limited company incorporated on 6 September 1999, vide the certificate of incorporation number C-38527(485)/99 of 1999 in Bangladesh under the Companies Act 1994 and has its registered address at House # 01, Road # 01, Sector # 01, Uttara Model Town, Dhaka-1230. The corporate address of the Company is at The Glass House, Level 6-7, Plot 2, Block SE(B), Gulshan 1, Dhaka 1212. The Company was initially registered as a private limited company and subsequently converted into a public limited company on 21 September 2008. The Company was listed with both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on 16 September 2009.

1.2 Nature of business

The Company is engaged in manufacturing and marketing of consumer products under the brand name of Parachute, Nihar, Saffola, Hair Code, Livon, Parachute Advanced, Beliphool, Ayurvedic Gold, Extra Care, Parachute Body Lotion, Set-Wet and Bio Oil in Bangladesh. The Company started its commercial operation on 30 January 2000. Subsequently, it started its commercial production at Filling unit, Crushing unit and Refinery unit in 2002, 2012 & 2017 respectively. Its manufacturing plants are located at Mouchak, Kaliakoir, Gazipur and Shirirchala, Mahona, Bhabanipur, Gazipur. The Company sells its products through its own distribution channels comprising of sales depots located in Gazipur, Chittagong, Bogra and Jessore.

2. Basis of preparation

2.1 Statement of compliance

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. Bangladesh Securities and Exchange Rules 1987;
ii. The Income Tax Ordinance, 1984; and
iii. The Value Added Tax Act, 1991;

Details of the Company's accounting policies including changes during the year, if any, are included in note 36.

2.2 Authorisation for issue

These financial statements are authorised for issue by the Board of Directors in its 105th Board of Directors meeting held on 24 July 2019

2.3 Reporting period

The financial period of the Company covers period ended on 30 June 2019.

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2. Basis of preparation (continued)

2.4 Comparative and reclassification

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

3. Functional and presentation currency

These financial statements are presented in Bangladeshi Taka (Taka/TK/BDT) which is the Company's functional and presentation currency. All amounts have been rounded off to the nearest integer.

4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) **Judgements**

Information about judgements related to lessee accounting under IFRS 16 made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is described in note 5(B)(i).

(b) **Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties at 30 June 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial period is included in the following notes:

Note 13 Property, plant and equipment
Note 14 Intangible assets
Note 18 Inventories
Note 21 Employee benefit obligation
Note 25 Current tax liabilities
Note 29 Contingent liabilities

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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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As the Company's financial year starts from 1 April, the Company has initially adopted IFRS 16 Leases from 1 April 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for the period ended 31 March 2019 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. 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 new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It 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. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and nonlease components as a single lease component.

B. *As a lessee*

The Company leases many assets, including properties, warehouses and depots.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The carrying amounts of right-of-use assets are as below.

In taka	**Right-of-use asset**
Balance at 1 April 2019	194,336,636
Balance at 30 June 2019	184,619,804

The Company presents lease liabilities as separetely in the statement of financial position.

i. Significant accounting policies

The Company recognises a right-of-use asset and a lease liabilities at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liabilities. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

The lease liabilities 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.

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5. Changes in significant accounting policies (continued)

B. As a lessee (continued)

The lease liabilities is subsequently increased by the interest cost on the lease liabilities and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Company classified property leases as operating leases under IAS 17. These include corporate office, warehouse and factory facilities. The leases typically run for a period of 5 to 10 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were 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 lessee'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 liabilities, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other leases.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

— Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

iii. Impacts on transition

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

In taka	**1 April 2019**
Right of use assets	194,336,636
Lease liabilities	239,509,338
Retained earnings	45,172,702

iv. Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised BDT 184,619,804 of right-of-use assets and BDT 230,296,891 of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Company has recognised depreciation and interest expense, instead of operating lease expense. During the three months ended 30 June 2019, the Company recognised BDT 9,716,832 of depreciation charges and BDT 3,801,972 of interest expense from these leases.

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6. Revenue

See accounting policy in note 36.13

In Taka	For the three months ended 30 June 2019	For the three months ended 30 June 2018
Parachute coconut oil	**1,931,660,538**	1,840,508,404
Value added hair oil (VAHO)	**679,556,959**	531,276,256
Color	**14,412,366**	11,165,241
Saffola - Edible oil	**30,045,180**	22,129,323
Others	**90,427,618**	64,962,698
	2,746,102,661	2,470,041,922

6.1 Breakup of local/export revenue

In Taka	For the three months ended 30 June 2019	For the three months ended 30 June 2018
Revenue from domestic operation	**2,733,408,781**	2,463,163,304
Revenue from export	**12,693,880**	6,878,618
	2,746,102,661	2,470,041,922

7. Cost of sales

In Taka	Note	For the three months ended 30 June 2019	For the three months ended 30 June 2018
Opening stock of finished goods		**266,208,457**	174,804,729
Cost of goods manufactured	*7.1*	**1,076,285,362**	1,317,357,132
		1,342,493,819	1,492,161,861
Closing stock of finished goods		**(238,732,267)**	(105,703,358)
		1,103,761,552	1,386,458,503

7.1 Cost of goods manufactured

In Taka	Note	For the three months ended 30 June 2019	For the three months ended 30 June 2018
Materials consumed	*7.1.1*	**1,020,291,179**	1,260,000,031
Factory overhead	*7.1.2*	**55,994,183**	57,357,101
		1,076,285,362	1,317,357,132

7.1.1 Materials consumed

In Taka	For the three months ended 30 June 2019	For the three months ended 30 June 2018
Opening stock of raw materials, packing materials and others	**825,286,296**	1,542,517,291
Purchases during the period	**863,030,824**	675,657,650
Closing stock of raw materials, packing materials and others	**(668,025,941)**	(958,174,910)
	1,020,291,179	1,260,000,031

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7. Cost of sales (continued)

7.1.2 Factory overhead

	For the three months ended	
In Taka	**30 June 2019**	**30 June 2018**
Communication expenses	**140,378**	163,688
Cost of outsourced human resources	**12,802,019**	11,008,343
Depreciation	**13,057,602**	15,526,719
Entertainment	**1,226,486**	1,179,633
Power expenses	**14,213,888**	13,371,412
Printing and stationery	**325,254**	1,622,959
Repairs and maintenance	**2,360,140**	2,709,227
Salaries and allowances	**9,081,152**	10,282,807
Security charges	**1,416,411**	-
Travelling and conveyance	**1,370,853**	1,354,313
Warehouse rent	**-**	138,000
	55,994,183	57,357,101

8. General and administrative expenses

	For the three months ended	
In Taka	**30 June 2019**	**30 June 2018**
Salaries and allowances	**92,722,352**	75,761,752
Gratuity	**4,503,036**	3,866,348
Workers' profit participation and welfare fund	**60,591,213**	39,500,494
Rent, rates and taxes	**1,724,973**	8,516,502
Professional and legal charges	**7,859,789**	4,202,851
Security charges	**504,503**	1,888,662
Stamp and license fees	**1,656,741**	789,956
Directors' fees	**9,585**	9,583
Directors' remuneration	**7,856,685**	12,520,199
Repair and maintenance	**2,306,589**	1,820,390
Communication expenses	**1,145,370**	1,045,802
Subscription to trade association	**82,199**	82,000
Entertainment	**3,268,236**	4,332,053
Printing and stationery	**155,207**	(985,131)
Vehicle running expenses	**4,326,834**	3,911,307
Travelling and conveyance-local	**1,353,432**	1,748,293
Travelling and conveyance-foreign	**1,218,855**	790,546
Audit fees	**525,000**	325,737
Insurance premium	**1,655,630**	2,584,793
Books and periodicals	**16,019**	34,002
Bank charges	**849,390**	523,335
AGM and public relation	**118,408**	48,033
Conference and training	**1,763,594**	148,231
Electricity and gas charges	**683,280**	654,499
Amortisation	**504,512**	815,757
Royalty	**26,820,763**	23,192,377
Depreciation	**7,661,142**	9,280,249
Depreciation on right-of-use asset	**9,716,832**	-
General and technical assistance fees	**16,527,122**	11,233,403
CSR project	**4,974,788**	-
(Reversal of) impairment of property, plant and equipment	**(194,819)**	(4,663,942)
	262,907,260	203,978,081

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9. Marketing, selling and distribution expenses

In Taka	For the three months ended 30 June 2019	30 June 2018
Advertisement	**203,796,264**	106,508,490
Business promotion expenses	**5,137,419**	5,399,956
Other selling & distribution expenses	**12,751,679**	17,591,694
Entertainment	**3,800,789**	7,158,373
Communication expense	**1,064,732**	1,261,744
Travelling and conveyance-local	**3,127,863**	2,078,432
Free sample	**7,520,137**	-
Freight- outward	**20,579,978**	17,549,999
Market research expenses	**17,692,475**	3,001,222
Repairs and maintenance	**299,287**	203,498
Vehicle running expenses	**3,860,309**	3,385,751
	279,630,932	164,139,159

10. Other income/(expense)

In Taka	For the three months ended 30 June 2019	30 June 2018
Gain/loss on sale of property, plant and equipment	**(76,861)**	51,314
	(76,861)	51,314

11. Net finance income

In Taka	For the three months ended 30 June 2019	30 June 2018
Interest on fixed deposits	**57,446,971**	42,409,922
Interest on call deposits	**2,095,688**	160,708
Interest on overdraft and loans	**(5,213,006)**	(4,398,333)
Foreign exchange gain/(loss)	**(2,822,654)**	(3,154,415)
Interest on lease	**(3,801,972)**	-
	47,705,027	35,017,882

12. Income tax expense

See accounting policy in note 36.12

	For the three months ended 30 June 2019	30 June 2018
Current tax expense	**286,500,608**	192,777,630
Deferred tax expense	**12,138,296**	2,825,878
	298,638,904	195,603,508

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13. Property, plant and equipment

See accounting policy in note 36.2

Reconciliation of carrying amount

In Taka	Freehold land	Plant and machinery	Factory building	Office building	Office equipment	Computers	Furniture and fixtures	A.C and refrigerators	Assets under construction	Total
Cost										
Balance at 1 April 2018	176,749,959	855,195,128	231,650,100	193,910,204	69,216,997	18,835,419	94,501,721	17,332,333	1,038,825	1,658,430,686
Additions	-	-	-	-	-	-	-	-	44,987,166	44,987,166
Transfer from asset under construction	-	20,266,610		6,347,736	5,453,790	3,731,350	3,439,575	644,909	(39,883,970)	-
Disposals/ adjustments		(10,129,617)			(17,358,496)	(176,050)	(10,432,887)	(3,332,061)	-	(41,429,111)
Balance at 31 March 2019	176,749,959	865,332,121	231,650,100	200,257,940	57,312,291	22,390,719	87,508,409	14,645,181	6,142,021	1,661,988,741
Balance at 1 April 2019	**176,749,959**	**865,332,121**	**231,650,100**	**200,257,940**	**57,312,291**	**22,390,719**	**87,508,409**	**14,645,181**	**6,142,021**	**1,661,988,741**
Additions	-	-	-	-	-	-	-	-	**19,486,102**	**19,486,102**
Transfer from asset under construction	-	**16,292,766**	-	-	**80,760**	**3,338,000**	**226,775**	**435,360**	**(20,373,661)**	-
Disposals/ adjustments		**(21,448,488)**	-	-	**(56,000)**	**(36,698)**	-	-	-	**(21,541,186)**
Balance at 30 June 2019	**176,749,959**	**860,176,399**	**231,650,100**	**200,257,940**	**57,337,051**	**25,692,021**	**87,735,184**	**15,080,541**	**5,254,462**	**1,659,933,657**
Accumulated depreciation and impairment loss										
Balance at 1 April 2018	-	680,365,944	187,437,198	137,415,175	59,218,064	13,824,726	55,704,905	12,879,447	-	1,146,845,459
Depreciation for the year	-	43,010,115	8,677,275	14,860,069	7,273,136	3,190,229	12,394,486	1,912,238	-	91,317,549
(Reversal of) impairment loss	-	(3,986,714)	182,631	348,162	151,634	(17,113)	25,340	(588,903)	-	(3,884,964)
Disposals	-	(10,127,869)	-	-	(17,164,564)	(173,545)	(10,246,337)	(3,293,545)	-	(41,005,860)
Balance at 31 March 2019	-	709,261,476	196,297,104	152,623,406	49,478,270	16,824,297	57,878,394	10,909,237	-	1,193,272,184
Balance at 1 April 2019	-	**709,261,476**	**196,297,104**	**152,623,406**	**49,478,270**	**16,824,297**	**57,878,394**	**10,909,237**	-	**1,193,272,184**
Depreciation for the period	-	**10,608,011**	**1,764,974**	**3,042,218**	**954,163**	**949,117**	**3,056,481**	**343,781**	-	**20,718,745**
(Reversal of) impairment loss	-	**(184,592)**	**(40,551)**	-	**33,741**	-	**(3,418)**	-	-	**(194,820)**
Disposals	-	**(21,277,654)**	-	-	**(56,000)**	**(36,697)**	-	-	-	**(21,370,351)**
Balance at 30 June 2019	-	**698,407,241**	**198,021,527**	**155,665,624**	**50,410,174**	**17,736,717**	**60,931,457**	**11,253,018**	-	**1,192,425,758**
Carrying amounts										
At 1 April 2018	176,749,959	174,829,184	44,212,902	56,495,029	9,998,933	5,010,693	38,796,816	4,452,886	1,038,825	511,585,227
At 31 March 2019	176,749,959	156,070,645	35,352,996	47,634,534	7,834,021	5,566,422	29,630,015	3,735,944	6,142,021	468,716,557
At 30 June 2019	**176,749,959**	**161,769,158**	**33,628,573**	**44,592,316**	**6,926,877**	**7,955,304**	**26,803,727**	**3,827,523**	**5,254,462**	**467,507,899**

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14. Intangible assets

See accounting policy in note 36.3

Reconciliation of carrying amount

In Taka	Computer software	Total
Cost		
Balance at 1 April 2018	22,061,875	22,061,875
Additions	-	-
Disposals	-	-
Balance at 31 March 2019	22,061,875	22,061,875
Balance at 1 April 2019	**22,061,875**	**22,061,875**
Additions	-	-
Disposals	-	-
Balance at 30 June 2019	**22,061,875**	**22,061,875**
Accumulated amortisation		
Balance at 1 April 2018	15,873,818	15,873,818
Amortisation during the period/year	2,540,973	2,540,973
Disposals	-	-
Balance at 31 March 2019	18,414,791	18,414,791
Balance at 1 April 2019	**18,414,791**	**18,414,791**
Amortisation during the period/year	**504,513**	**504,513**
Disposals	-	-
Balance at 30 June 2019	**18,919,304**	**18,919,304**
Carrying amounts		
At 1 April 2018	6,188,057	6,188,057
At 31 March 2019	3,647,084	3,647,084
At 30 June 2019	**3,142,571**	**3,142,571**

15. Right-of-use asset

See accounting policy in note 36.4

Reconciliation of carrying amount

In Taka	30 June 2019	31 March 2019
Balance at 1 April 2019	-	-
Addition during the period	**194,336,636**	-
Disposal during the period	-	-
Balance at 30 June 2019	**194,336,636**	-
Accumulated depreciation		
Balance at 1 April 2019	-	-
Depreciation during the period	**9,716,832**	-
Disposal during the period	-	-
Balance at 30 June 2019	**9,716,832**	-
Carrying amount		
At 30 June 2019	**184,619,804**	-

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16. Advances, deposits and prepayments

In Taka	30 June 2019	31 March 2019
Advances		
Advance for capital goods	**47,119,505**	27,783,879
Advance to suppliers and others	**587,391,057**	323,578,492
	634,510,562	351,362,371
Deposits		
Security deposits	**12,486,396**	12,349,428
VAT current account	**99,613,510**	88,710,243
Supplementary duty	**-**	1,915,385
	112,099,906	102,975,056
Prepayments		
Prepaid expenses	**16,396,727**	32,423,643
	763,007,195	486,761,070

16.1 Current and non-current classification of advances, deposits and prepayments

In Taka	30 June 2019	31 March 2019
Current	**698,603,568**	435,633,515
Non-current	**64,403,627**	51,127,555
	763,007,195	486,761,070

17. Other financial assets

In Taka	*Note*	30 June 2019	31 March 2019
Fixed deposits	*17.2*	**2,510,155,787**	2,064,261,503
Trade receivables		**31,344,762**	22,521,632
Loans to employees		**7,396,325**	8,330,529
		2,548,896,874	2,095,113,664

17.1 Current and non-current classification of other financial assets

In Taka	30 June 2019	31 March 2019
Current	**2,545,581,809**	2,090,191,792
Non-current	**3,315,065**	4,921,872
	2,548,896,874	2,095,113,664

17.2 Fixed deposits (maturity more than three months)

In Taka	*Credit rating*	30 June 2019	31 March 2019
BRAC Bank Limited	*AA1*	**274,904,487**	268,834,779
Delta Brac Housing Finance Corporation Ltd.	*AAA*	**268,565,074**	202,738,866
IPDC Finance Limited	*AA1*	**399,432,222**	151,708,333
IDLC Finance Limited	*AAA*	**366,406,352**	357,489,386
Mutual Trust Bank Limited	*AA*	**265,778,763**	367,830,694
Eastern Bank Limited	*AA2*	**267,810,556**	262,021,945
Commercial Bank of Ceylon	*AAA*	**667,258,333**	453,637,500
		2,510,155,787	2,064,261,503

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18. Inventories

See accounting policy in note 36.5

In Taka	30 June 2019	31 March 2019
Raw materials	**409,221,275**	580,442,733
Packing materials	**92,457,716**	115,323,902
Finished goods	**238,732,267**	266,208,457
Stores and spares	**18,425,523**	19,657,254
Materials in transit	**147,921,427**	109,862,407
	906,758,208	1,091,494,753

Details break-up of inventories could not be given as it is quite difficult to quantify each item in a separate and distinct category due to large variety of items. Information in summarized form may not be useful for the users.

19. Cash and cash equivalents

See accounting policy in note 36.6 (ii)(a)

In Taka	*Note*	30 June 2019	31 March 2019
Cash in hand		**117,085**	173,870
Cash at bank	*19.1*	**233,412,514**	259,541,439
Fixed deposits	*19.2*	**-**	112,474,533
Balance with bank for unclaimed dividend		**10,078,464**	9,738,138
Remittance in transit		**-**	1,173,897
		243,608,063	383,101,877

19.1 Cash at bank

In Taka	*Credit rating*	30 June 2019	31 March 2019
BRAC Bank Limited	*AA1*	**63,470,603**	7,466,933
Citibank N.A.	*AAA*	**1,191,083**	514,025
Islami Bank Bangladesh Limited	*AA+*	**45,514,356**	7,804,702
Sonali Bank Limited	*AAA*	**512,208**	514,358
Standard Chartered Bank	*AAA*	**112,557,680**	190,114,282
Dutch Bangla Bank Limited	*AA+*	**1,250,000**	-
The Hongkong and Shanghai Banking Corporation Ltd.	*AAA*	**889,645**	355,510
The City Bank Limited	*AA2*	**8,026,939**	52,771,629
		233,412,514	259,541,439

19.2 Fixed deposits (maturity less than three months)

In Taka	*Credit rating*	30 June 2019	31 March 2019
IPDC Finance Limited	*AA1*	**-**	112,289,624
Standard Chartered Bank	*AAA*	**-**	110,567
BRAC Bank Limited	*AA1*	**-**	74,342
		-	112,474,533

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20. Share capital

See accounting policy in note 36.7

In Taka	30 June 2019	31 March 2019
Authorised		
40,000,000 ordinary shares of Tk 10 each	**400,000,000**	400,000,000
Issued, subscribed and paid up		
Issued for cash	**41,500,000**	41,500,000
Issued for consideration other than cash	**273,500,000**	273,500,000
	315,000,000	315,000,000

21. Employee benefit obligation

See accounting policy in note 36.9

In Taka	30 June 2019	31 March 2019
Provision for gratuity	**57,968,545**	57,060,572
Provision for leave encashment	**17,513,164**	17,513,164
	75,481,709	74,573,736
Current	**10,573,760**	9,665,787
Non-Current	**64,907,949**	64,907,949
	75,481,709	74,573,736

22. Lease liabilities

See accounting policy in note 36.15

In Taka	30 June 2019	31 March 2019
Current	**38,444,365**	-
Non-current	**191,852,526**	-
	230,296,891	-

23. Loans and borrowings

In Taka	30 June 2019	31 March 2019
Short term loan	**-**	200,000,000
	-	200,000,000

The Company has taken a short-term loan of Taka 200,000,000 for a duration of two months on 14 March 2019 from Citibank N.A., Bangladesh.

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24. Trade and other payables

See accounting policy in note 36.6(iii)(b)

In Taka	30 June 2019	31 March 2019
Trade payables		
Payable against raw material	**181,649,403**	120,281,808
Payable against services	**211,189,303**	126,552,551
Payable against packing material	**203,235,857**	142,499,732
Payable against finished goods	**65,576,330**	59,769,639
	661,650,893	449,103,730
Other payables		
Payable against expenses	**307,372,665**	349,215,303
General and technical assistance fees payable	**281,122,135**	279,205,943
Payable against business promotion expense	**490,768,154**	417,685,440
Royalty payable	**110,363,712**	83,542,949
Import duty and related charges payable	**106,144,040**	68,246,568
Withholding tax and VAT payable	**34,815,694**	79,586,236
Workers' profit participation and welfare fund	**60,591,212**	144,723,386
Advance from customers	**147,487,778**	77,902,717
Payable against capital goods	**6,740,321**	4,619,374
Unclaimed dividend	**10,078,464**	9,738,138
Audit fees payable	**1,864,000**	1,751,000
Interest accrued on loans	**-**	650,000
Dividend payable	**-**	573,300,000
Supplementary duty	**399,044**	-
	1,557,747,219	2,090,167,054
	2,219,398,112	2,539,270,784

25. Current tax liabilities

In Taka	*Note*	30 June 2019	31 March 2019
Provision for income tax	25.1	**746,868,943**	1,098,688,709
Advance income tax	25.2	**(224,884,964)**	(638,320,374)
		521,983,979	460,368,335

25.1 Provision for income tax

In Taka	30 June 2019	31 March 2019
Opening balance	**460,368,335**	386,211,784
Provision for current period/year	**286,500,608**	712,476,925
	746,868,943	1,098,688,709

25.2 Advance income tax

In Taka	30 June 2019	31 March 2019
Payment for current period/year	**224,884,964**	609,963,948
Payment for prior years:		
Assessment year 2013-2014	**-**	28,356,426
	224,884,964	638,320,374

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25. Current tax liabilities (continued)

25.3 Year wise break up of provision for current tax and balance of advance income tax for open years

Accounting year/period ended	Assessment year	Provision for income tax (Amount in Taka)	Advance income tax (Amount in Taka)	Status
30 June 2019	2019-20	286,500,608	24,884,964	
31 March 2019	2019-20	712,476,925	638,453,844	
31 March 2018	2018-19	603,956,939	560,411,195	Return submitted
31 March 2017	2017-18	511,139,076	482,832,785	Return submitted
31 March 2016	2016-17	536,229,894	516,829,134	Open at DCT level
31 March 2015	2015-16	502,672,641	438,992,339	Open at DCT level
31 March 2014	2014-15	475,304,697	468,166,315	At High Court
31 March 2013	2013-14	279,549,372	234,442,800	At TAT*
31 March 2012	2012-13	206,588,040	236,519,377	At TAT*
30 September 2008	2009-10	9,098,540	-	At TAT*
		4,123,516,732	**3,601,532,753**	

*Taxes Appellate Tribunal

26. Earnings per share

26.1 Basic earnings per share

	For the three months ended	
In Taka	**30 June 2019**	**30 June 2018**
Earnings attributable to ordinary shareholders (Net profit after tax)	**848,792,179**	554,931,867
Weighted average number of ordinary shares outstanding during the year	**31,500,000**	31,500,000
Earnings per share (EPS) in Taka	**26.95**	17.62

26.2 Diluted earnings per share

Since there is no dilutive factor, diluted earnings per share is not required to be calculated.

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27. Related party transactions

27.1 Parent and ultimate controlling party

Marico Limited, India has 90% shareholding of the Company. As a result, the parent of the Company is Marico Limited, India. The ultimate controlling party of the Company is Marico Limited, India.

27.2 Transactions with key management personnel

In Taka	30 June 2019	30 June 2018
Directors' remuneration	**7,856,685**	12,520,199
Meeting fees	**683,279**	654,499
	8,539,964	13,174,698

Compensation for the Company's key management personnel includes salaries & meeting fees. These expenses are included in administrative expenses.

27.3 Other related party transactions

During the period the Company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The name of related parties, nature of transactions, their total value and closing balance have been set out in accordance with the provisions of IAS 24 *Related party disclosure*.

27.3.1 Transactions with parent company

In Taka

Name of the related parties	Relationship	Nature of transaction	Transaction amount	Balance as at 30 June 2019	Balance as at 31 March 2019
Marico Limited, India	Parent company	Purchase of raw materials, packing materials and finished goods	**6,487,230**	**2,786,895**	2,530,022
		Asset	**521,054**	**-**	-
		Royalty	**26,820,763**	**110,363,712**	83,542,949
		Dividend	**-**	**-**	510,300,000
		General and technical assistance fees	**-**	**281,122,135**	279,205,943
		Sales of SFG & FG	**-**	**-**	1,173,887

27.3.2 Transactions with other related parties

In Taka

Name of the related parties	Relationship	Nature of transaction	Transaction amount	Balance as at 30 June 2019	Balance as at 31 March 2019
Marico Middle East FZE	Associated company	Purchase of raw materials (RM)	**276,425,483**	**62,913,449**	81,102,073
Marico South East Asia	Associated company	Purchase of finished goods (FG)	**1,719,311**	**1,722,512**	-

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28. Disclosures as per BSEC notification no. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018

28.1 Calculation of net asset value per share

In Taka	30 June 2019	31 March 2019
Net asset	**2,105,755,231**	1,302,135,754
Number of shares	**31,500,000**	31,500,000
Net asset value (NAV) per share	**66.85**	41.34

28.2 Calculation of net operating cash flow per share (NOCFPS)

In Taka	30 June 2019	30 June 2018
Net cash from operating activities	**1,151,657,713**	932,221,020
No. of shares	**31,500,000**	31,500,000
Net operating cash flow per share (NOCFPS)	**36.56**	29.59

28.3 Reconciliation of net profit with cash flows from operating activities

In Taka	30 June 2019	30 June 2018
Profit after tax	**848,792,179**	554,931,867
Adjustment for:		
- Depreciation	**30,435,576**	24,806,968
- Amortisation	**504,512**	815,757
- Interest expense	**5,213,006**	4,398,333
- (Reversal of) impairment expense	**(194,819)**	(4,663,942)
- Interest income	**(59,542,659)**	(42,570,630)
- Gain on sale of property, plant and equipment	**76,861**	(51,314)
- Tax expense	**298,638,904**	195,603,508
	1,123,923,560	733,270,547
Changes in operating assets and liabilities:		
Inventories	**184,736,545**	653,443,752
Financial assets	**(7,888,926)**	(7,648,431)
Other current assets	**(256,511,455)**	176,006,850
Employee benefit	**907,973**	(447,088)
Trade and other payables	**308,257,344**	(420,224,939)
Cash generated from operating activities	**1,353,425,041**	1,134,400,691
Interest paid	**(2,061,034)**	(1,015,000)
Interest received	**25,178,670**	10,109,013
Income tax paid	**(224,884,964)**	(211,273,684)
Net cash flows from operating activities	**1,151,657,713**	932,221,020

29. Contingent liabilities

The Company has contingent liability of BDT 1,103,433,853 as on 30 June 2019 in respect of indirect tax (VAT) and workers' profit participation & welfare fund. These are being vigorously defended by the Company. The management does not consider that it is appropriate to make provision in respect of any of these claims.

The Company has ordinary letter of credit amount of Taka 61,606,549 and Taka 185,506,800 with Citibank, N.A. and Standard Chartered Bank respectively. Shipping guarantee of Taka 5,626,190 with Standard Chartered Bank.

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30. Capital management

For the purpose of the company's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

To maintain or adjust capital structure, the Company may adjust the amount of dividend, return on capital, issue new share or obtain long term-debt. All major investment and financing decisions, as a part of its capital management, are evaluated and approved by its Board of Directors.

No changes were made in the objectives, policies or processes for managing capital during the period ended 30 June 2019.

31. Segment information

The Company essentially provides similar products to customers across the country. Business activities in which it engages and the economic environments in which it operates are of similar nature. Its business is not segmented by products or geographical areas and its operating result is viewed as a whole by its management. Hence, segment information is not relevant for the Company.

32. Subsequent events

The Board of Directors of Marico Bangladesh Limited at its 105th meeting held on 24 July 2019 has declared 1st interim cash dividend @ 250% i.e. Taka 25 per share, amount to total Taka 787,500,000 for the three months period ended at 30 June 2019.

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33. Financial instruments - fair values and financial risk management

33.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2019

Particulars	Note	Carrying amount						
		Fair value hedging instruments	Mandatorily at fair value	FVOCI-debt instruments	FVOCI-equity instruments	Financial assets at amortized cost	Other financial liabilities	Total
Financial assets measured at fair value		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Financial assets not measured at fair value								
Fixed deposits	17	-	-	-	-	2,510,155,787	-	2,510,155,787
Loan to employees	17	-	-	-	-	7,396,325		7,396,325
Trade receivables	17	-	-	-		31,344,762	-	31,344,762
Cash and cash equivalents	19	-	-	-		243,608,063	-	243,608,063
		-	-	-	-	2,792,504,937	-	2,792,504,937
Financial liabilities measured at fair value		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Loans and borrowings	23	-	-	-	-	-	-	-
Trade and other payables	24	-	-	-	-	-	2,219,398,112	2,219,398,112
Lease liabilities	22	-	-	-	-	-	230,296,891	230,296,891
		-	-	-	-	-	2,449,695,003	2,449,695,003

33. Financial instruments - fair values and financial risk management (continued)

33.1 Accounting classifications and fair values (continued)

31 March 2019

Particulars	Note	Carrying amount: Fair value hedging instruments	Mandatorily at fair value	FVOCI-debt instruments	FVOCI-equity instruments	Financial assets at amortized cost	Other financial liabilities	Total
Financial assets measured at fair value		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Financial assets not measured at fair value								
Fixed deposits	17	-	-	-		2,064,261,503	-	2,064,261,503
Loan to employees	17	-	-	-	-	8,330,529	-	8,330,529
Trade receivables	17	-	-	-	-	22,521,632	-	22,521,632
Cash and cash equivalents	19	-	-	-	-	383,101,877	-	383,101,877
		-	-	-	-	2,478,215,541	-	2,478,215,541
Financial liabilities measured at fair value		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Loans and borrowings	23	-	-	-	-	-	200,000,000	200,000,000
Trade and other payables	24	-	-	-	-	-	2,539,270,784	2,539,270,784
		-	-	-	-	-	2,739,270,784	2,739,270,784

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33. Financial instruments - fair values and financial risk management (continued)

33.2 Financial risk management

The Company management has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

33.2.1 Credit risk

Credit risk is the risk of financial loss if a customer or counterpart to a financial instrument fails to meet its contractual obligation which arises principally from the Company's receivables from customers.

The Company makes sales on advance basis i.e. it receives advance from customers prior to sale, so there is no credit risk due to uncollectibility from the customers. However, the Company maintains most of the financial assets with short-term deposits and cash and cash equivalents.

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

In Taka	*Note*	30 June 2019	31 March 2019
Financial assets			
Fixed deposits	*17*	**2,510,155,787**	2,064,261,503
Loans to employees	*17*	**7,396,325**	8,330,529
Trade receivables	*17*	**31,344,762**	22,521,632
Cash and cash equivalents	*19*	**243,490,978**	382,928,007
		2,792,387,852	2,478,041,671

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33. Financial instruments - fair values and financial risk management (continued)
33.2 Financial risk management (continued)
33.2.2 Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The contractual maturities of financial liabilities of the Company are as follows:

			Contractual cash flows					
In Taka	***Note***	**Carrying amount**	**Expected cash flow**	**6 months or less**	**6-12 months**	**1- 2 years**	**2- 5 years**	**More than 5 years**
30 June 2019								
Loans and borrowings	*23*	-	-	-	-	-	-	-
Trade and other payables	*24*	**2,219,398,112**	**2,219,398,112**	**2,219,398,112**	-	-	-	-
Lease liabilities	*22*	**230,296,891**	**230,296,891**	**18,847,738**	**19,596,627**	**42,765,894**	**149,086,632**	-
		2,449,695,003	**2,449,695,003**	**2,238,245,850**	**19,596,627**	**42,765,894**	**149,086,632**	-
31 March 2019								
Loans and borrowings	*23*	200,000,000	200,000,000	200,000,000	-	-	-	-
Trade and other payables	*24*	2,539,270,784	2,539,270,784	2,539,270,784	-	-	-	-
		2,739,270,784	2,739,270,784	2,739,270,784	-	-	-	-

33. Financial instruments - fair values and financial risk management (continued)

33.2 Financial risk management (continued)

33.2.3 Market risk

Market risk is the risk that includes changes in market price, such as foreign exchange rate, interest rates, and equity prices that may affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) Currency risk

The Company's exposures to foreign currency risk at 31 March 2019 are as follows:

In USD	30 June 2019	31 March 2019
Import of goods and services	**(363,551)**	(1,405,600)
Bank balance	**357,249**	354,243
	(6,302)	(1,051,357)

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
	30 June 2019	30 June 2018	30 June 2019	31 March 2019
Exchange rate (USD/BDT)	**84.34**	83.91	**83.92**	83.92

ii) Foreign exchange rate sensitivity analysis

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies.

A 1% change in foreign exchange rates would have increased/(decreased) equity and profits or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant.

	Profit/(loss)		Equity	
Effect in Taka	Strengthening	Weakening	Strengthening	Weakening
30 June 2019				
USD (1% movement)	**(5,289)**	**5,289**	**(5,289)**	**5,289**
31 March 2019				
USD (1% movement)	(882,299)	882,299	(882,299)	882,299

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33. Financial instruments - fair values and financial risk management (continued)

33.2 Financial risk management (continued)

33.2.3 Market risk (continued)

iii) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates. The Company is not exposed to fluctuations in interest rates as it has no floating interest rate bearing financial liability as at the reporting date. The Company has not entered into any agreement involving derivative instrument at the reporting date.

As at 30 June 2019, the interest rate profile of the Company's interest bearing financial instruments was:

In Taka	**30 June 2019**	**31 March 2019**
Fixed rate instruments		
Financial assets		
Fixed deposit receipts	**2,510,155,787**	2,064,261,503
Financial liabilities	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-

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34. Basis of measurement

The financial statements of the Company have been prepared on historical cost basis except for net defined benefit (asset)/liability for which the measurement basis is the fair value of plan assets less the present value of the defined benefit obligation, as explained in note 36.8.

35. Standards issued but not yet effective

In January 2018, the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted International Financial Reporting Standards issued by the International Accounting Standards Board as IFRSs. As the ICAB previously adopted such standards as Bangladesh Financial Reporting Standards without any modification, this adoption does not have any impact on the financial statements of the Company.

A number of new standards are effective for annual periods beginning after 1 April 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations will be effective form 1 April 2020.

- *Amendments To References To Conceptual Framework in IFRS Standards.*
- *IFRS 17 Insurance Contracts.*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*

36. Significant accounting policies

The Company has consistently (otherwise as stated) applied the following accounting policies to all periods presented in these financial statements.

Note	Particulars
36.1	Foreign currency transactions
36.2	Property, plant and equipment
36.3	Intangible assets
36.4	Right of use asset
36.5	Inventories
36.6	Financial instruments
36.7	Share capital
36.8	Dividend to the equity holders
36.9	Employee benefits
36.10	Accruals
36.11	Provisions
36.12	Income tax
36.13	Revenue
36.14	Finance income and finance cost
36.15	Lease liabilities
36.16	Impairment
36.17	Contingencies
36.18	Earnings per share
36.19	Events after the reporting period

36.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency (BDT) at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are re-translated into (BDT) at the exchange rates ruling at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies, stated at historical cost, are translated into (BDT) at the exchange rate ruling at the date of transaction. Foreign exchange differences arising on translation are recognised in profit or loss.

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36. Significant accounting policies (continued)

36.2 Property, plant and equipment

i) Recognition and measurement

Property, plant and equipment (PPE) is recognised as an asset if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the item can be measured reliably.

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets, bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

Parts of an item of property, plant and equipment having different useful lives, are accounted for as separate items (major components) of property, plant and equipment.

ii) Subsequent cost

Subsequent cost of an item of property, plant and equipment is capitalised only if it is probable that future economic benefits embodied within the item will flow to the Company and its costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

No depreciation is charged on land and asset under construction (AuC) as the land has unlimited useful life and AuC has not yet been placed in service /commissioned.

Other items of property, plant and equipment is depreciated on a straight line basis in profit or loss over the estimated useful lives of each item of property, plant and equipment. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is charged from the month of acquisition of property, plant and equipment and no depreciation is charged in the month of disposal.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives of the items of property, plant and equipment for the current and comparative period are as follows:

Assets	**Depreciation rate**
Plant and machinery	10-33%
Factory equipment	20-33%
Moulds	15-33%
Factory building	5-20%
Laboratory equipment	20-33%
Office equipment	33-50%
Computers	33-50%
Furniture and fixtures	20-50%
Office building	10-20%
A.C and refrigerators	20-33%

iv) Derecognition

An asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the derecognition of an asset are determined as the difference between net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

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36. Significant accounting policies (continued)

36.2 Property, plant and equipment (continued)

v) Asset under construction

Asset under construction represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use which is measured at cost. These are transferred to the property, plant and equipment on the completion of the projects.

vi) Capitalisation of borrowing costs

As per the requirements of IAS 23 *Borrowing Costs*, directly attributable borrowing costs are capitalised during construction period for all qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

36.3 Intangible assets

i) Recognition and measurement

Intangible assets have finite useful lives and are stated at cost less accumulated amortisation and any impairment losses. Intangible assets are recognised in accordance with IAS 38 *Intangible assets*. Intangible assets include cost of acquisition of computer software, intellectual property, copyright and other costs incidental to such capital expenditure.

ii) Subsequent costs

Subsequent costs are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other costs are recognised in profit or loss as incurred.

iii) Amortisation

Amortisation is recognised in profit or loss on straight line basis over the estimated useful lives of intangible assets from the date they are available for use.

Intangible asset (Computer Software) is amortised at the rate of 20% to 33%.

iv) Derecognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of intangible assets, measured as the difference between the net disposal proceeds and the carrying amount of the assets, are recognised in profit or loss.

36.4 Right of use asset

The Company recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liabilities. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

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36. Significant accounting policies (continued)

36.5 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost method, 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. Stores and spares and material in transit are measured at cost.

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

36.6 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 and debt securities issued are initially recognised 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 financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets – policy applicable from 1 April 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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.

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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.

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36. Significant accounting policies (continued)

36.6 Financial instruments (continued)

Financial assets – business model assessment: policy applicable from 1 April 2018

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 – subsequent measurement and gains and losses: policy applicable from 1 April 2018

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 includes cash and cash equivalents, trade and other receivables and short term investment.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and all cash deposits with maturities of three 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.

(b) 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.

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36. Significant accounting policies (continued)

36.6 Financial instruments (continued)

(c) Short-term investment

Short-term investment consists of fixed deposits with original maturity of more than three months. The Company has the positive intent and ability to hold FDR to maturity, and such financial assets are carried as financial assets at amortised cost. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

iii. 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.

(a) Trade and other payables

The Company recognises 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.

(b) Loans and borrowings

The Company derecognises loans and borrowings when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises loans and borrowings when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

36.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Paid up capital represents total amount contributed by the shareholders and bonus shares, if any, issued by the Company to the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders' meetings. In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

36.8 Dividend to the equity holders

The Company recognises a liability to make cash dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in Bangladesh, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

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36. Significant accounting policies (continued)

36.9 Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii) Defined benefit plan (Gratuity)

The Company operates an unfunded gratuity scheme, provision in respect of which is made annually covering all its eligible employees. This scheme is qualified as defined benefit plan.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. When the benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit and loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit and loss. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. Relevant tax impacts of such remeasurements are also recognised under other comprehensive income.

iii) Leave encashment

The Company operates unfunded leave encashment scheme, i.e. if its employees do not avail leave during his/her service, s/he will be entitled to encash privilege leave at the time of separation from the Company subject to maximum 40 days, at the rate of one month's basic pay for 30 days of privilege leave. This scheme is qualified as other long term employee benefits.

The Company's net obligation in respect of leave encashment scheme is the amount of future benefit that employees have earned in return for their service in the current and prior periods and the calculation is performed annually by a qualified actuary.

iv) Workers' profit participation and welfare fund

The Company operates fund for workers as workers' profit participation and welfare fund ("the Fund") and provides 5% of its profit before tax as per provision of the Bangladesh Labour Act 2006. The Company recognises the contribution to the fund as short term employee benefits.

The Fund is governed by Bangladesh Labour Act, 2006 as amended up to 28 September 2015 and the trust deed.

36.10 Accruals

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amongst due to employees. Accruals are reported as part of trade and other payables.

36.11 Provisions

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits are required to settle the obligation, the provisions are reversed.

36. Significant accounting policies (continued)

36.12 Income tax

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

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Provision for corporate income tax is made following the rate applicable for companies as per Finance Act 2019 i.e 25%.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be 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.

36.13 Revenue

The Company has initially applied IFRS 15 *Revenue from contracts with customers* from 1 April 2018. The Company recognises as revenue the amount that reflects the consideration to which the Company expects to be entitled in exchange for goods or services when (or as) it transfers control to the customer. To achieve that core principle, IFRS 15 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.

Considering the five steps model, the Company recognises revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. Goods are considered as transferred 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 returns and allowances, trade discounts, rebates and Value Added Tax (VAT).

36.14 Finance income and finance cost

i) Finance income

Finance income comprises interest income on funds invested and is recognised as it accrues in profit or loss using the effective interest method.

ii) Finance cost

Finance costs comprise interest expense on borrowings and foreign exchange gain or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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36. Significant accounting policies (continued)

36.15 Lease liabilities

The lease liabilities 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 lease liabilities is subsequently increased by the interest cost on the lease liabilities and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

36.16 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) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to determine the recoverable amount of an individual asset, the Company estimates the recoverable amount of the Cash Generating Unit (CGU) to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

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36. Significant accounting policies (continued)

36.17 Contingencies

i) Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the statement of financial position of the Company. Moreover, contingencies arising from claims, litigations, assessments, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

ii) Contingent asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Company does not recognise contingent asset.

36.18 Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no dilutive potential ordinary shares during the relevant periods.

36.19 Events after the reporting period

Events after statement of financial position date that provide additional information about the Company's position at the statement of financial position date are reflected in the financial statements. Events after statement of financial position date that are non-adjusting events are disclosed in the notes when material.

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