

Audited Financial Statements

of

Kansai Nerolac Paints (Bangladesh) Limited

As at and for the year ended 31 March 2023

Hoda Vasi Chowdhury & Co

Chartered Accountants

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

Year-end: As at and for the year ended 31 March 2023

Currency: BDT

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

Opinion

We have audited, for the purpose of audit of the consolidated Ind AS financial statements for the year ended 31 March 2023 of Kansai Nerolac Paints Limited, the accompanying financial statements of Kansai Nerolac Paints (Bangladesh) Limited ("the Company") which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Going Concern

Without modifying our opinion, we draw attention to note 35 to the financial statements where the management has elaborately described about its financial position, business plan and how the Company will continue as a going concern in the foreseeable future.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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.

Revenue

At the year end the Company reported total revenue of Taka 2,964,489,646. The Company recognizes revenue when a contractual performance obligation is fulfilled by transferring control over the promised goods to a customer provided that collectability of the consideration is probable. Revenue is measured based on the transaction price as in, the consideration agreed in the contract with the customer excluding amounts collected on behalf of third parties such as sales taxes.

While the risk and rewards are being transferred for the performance obligations at the delivery point and control has passed, there is a risk that the Company might misstate or manipulate sales quantity or price in the financial statements. There is also a risk that revenue may be overstated or understated through various discounts and incentives.

How our audit addressed the key audit matter

We have tested the design and operating effectiveness of key controls focusing on the calculation of discount, segregation of duties in invoice creation and modification and timing of revenue recognition.

We assessed the reporting environment of the Company as well as other relevant systems supporting the accounting of revenue. We also performed various substantive tests to address the risks associated. We obtained supporting documentation for sales transactions recorded either side of year end whether revenue was recognized in the correct period. We also reviewed the monthly reporting from stores and depots and assessed them for consistency and checked documentation on sample basis. We tested the revenue recognition against the 5-step model and checked the relevant internal control to verify that there has been no override of control. We have observed the timing of revenue recognition as well as checked the cut off. Finally, we assessed the appropriateness and presentation of disclosures against relevant accounting standards.

Valuation of Inventories

As at 31 March 2023, the Company held inventories of Taka 543,101,652. Inventory valuation and existence was an audit focus area because of the number of stores/locations that inventory was held at, and the judgement applied in the valuation of inventory to incorporate inventory shrinkage. As described in note 3.5 of the financial statements, inventories consisting of raw materials, packing materials and finished goods are carried at the lower of cost and net realizable value on a weighted average basis and work in process and goods in transit are measured at cost.

How our audit addressed the key audit matter

We tested the appropriateness of management's assumptions applied in calculating the value of the inventory. Our audit procedures included evaluating the design and implementation of key inventory controls operating across the Company, including factory production house, warehouse and depots on a sample basis. We have tested the internal controls to monitor or keep track of inventory movement and perform tests of control and other substantive audit procedures. We have examined the correctness of the costing of finished goods and valuation of raw materials, packing materials and spare accessories. Finally, we assessed the appropriateness and presentation of disclosures against relevant accounting standards.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, 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 purpose 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 those books; and
- c) the Company's statement of financial position and the statement of profit or loss and other comprehensive income along with the annexed notes 1 to 35 dealt with by the report are in agreement with the books of account.

Restriction on Use and Distribution

This report is provided solely for the information and use of S R B C & CO LLP, Mumbai to assist in the audit of Consolidated Ind AS financial statements of Kansai Nerolac Paints Limited as of and for the year ended 31 March 2023 and for any other statutory certificate purpose. It should not be distributed to anyone in Kansai Nerolac Paints Limited, any of its components, or any other party.



Name of partner in charge of the component engagement: **Mr. A F Nesaruddin, FCA**
Hoda Vasi Chowdhury & Co.
Dhaka, 03 May 2023

Kansai Nerolac Paints (Bangladesh) Limited
Statement of Financial Position
As at 31 March 2023

	Notes	31 March 2023	31 March 2022
		Taka	Taka
Assets			
Non-current assets			
Property, plant and equipment - net	05	199,373,626	143,773,108
Intangible assets	06	595,398	40,698
Capital work in progress	07	1,205,340	1,094,800
Right-of-use assets	08	44,275,325	28,277,148
		245,449,689	173,185,754
Current assets			
Inventories	09	543,101,652	570,353,240
Trade and other receivables	10	775,286,355	789,429,625
Advances, deposits and prepayments	11	137,197,262	118,223,164
Advance income tax	12	435,724,936	329,831,328
Cash and cash equivalents	13	87,557,476	53,380,082
		1,978,867,681	1,861,217,439
Total assets		2,224,317,370	2,034,403,193
Equity and liabilities			
Shareholders' equity			
Share capital	14	1,220,000,000	920,000,000
Share money deposits	15	1,247,532	4,013
Accumulated loss		(1,502,324,554)	(1,403,667,011)
		(281,077,022)	(483,662,998)
Non-current liabilities			
Employees benefits - non current portion	16	12,250,338	6,839,985
Lease liabilities - non current portion	17	21,035,271	19,829,704
		33,285,609	26,669,689
Current liabilities			
Employees benefits - current portion	16	51,442,560	37,155,207
Lease liabilities - current portion	17	20,929,963	7,480,328
Loan and borrowings	18	1,678,360,697	1,872,525,488
Trade and other payables	19	388,705,585	297,136,433
Advance from customers		90,051,408	34,436,171
Accruals	20	164,066,768	182,159,123
Current tax liabilities	21	78,551,801	60,503,752
		2,472,108,783	2,491,396,502
Total liabilities		2,505,394,392	2,518,066,191
Total equity and liabilities		2,224,317,370	2,034,403,193

These financial statements should be read in conjunction with annexed notes



Director



Chairman

As per our report of same date

Dhaka, 03 May 2023



Hoda Vasi Chowdhury
Chartered Accountants

Kansai Nerolac Paints (Bangladesh) Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2023

	<u>Notes</u>	<u>31 March 2023</u> <u>Taka</u>	<u>31 March 2022</u> <u>Taka</u>
Revenue	22	2,964,489,646	2,625,936,084
Cost of sales	23	(2,111,244,561)	(2,108,420,004)
Gross profit		853,245,085	517,516,080
Administrative expenses	24	(98,790,385)	(78,815,811)
Selling expenses	25	(605,393,521)	(543,974,942)
Other income	26	21,314,086	20,366,079
Operating profit/(loss)		170,375,265	(84,908,594)
Net finance cost	27	(245,882,806)	(169,003,326)
Loss before tax		(75,507,541)	(253,911,920)
Income tax expense	28	(18,048,049)	(16,099,221)
Net loss after tax		(93,555,590)	(270,011,141)
Other comprehensive loss		(5,101,953)	(3,571,700)
Total other comprehensive loss for the year		(98,657,543)	(273,582,841)
Earnings per share (EPS)	29	(0.92)	(2.93)

These financial statements should be read in conjunction with annexed notes



Director

As per our report of same date

Dhaka, 03 May 2023



Chairman

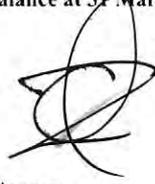


Hoda Vasi Chowdhury
Chartered Accountants

**Kansai Nerolac Paints (Bangladesh) Limited
Statement of Changes in Equity
For the year ended 31 March 2023**

(Amounts in Taka)

Particulars	Share capital	Share money deposits	Accumulated loss	Total
Balance at 1 April 2022	920,000,000	4,013	(1,403,667,011)	(483,662,998)
Share money received during the year	-	301,243,519	-	301,243,519
Share issued during the year	300,000,000	(300,000,000)	-	-
Net loss for the year	-	-	(93,555,590)	(93,555,590)
Other comprehensive loss for the year	-	-	(5,101,953)	(5,101,953)
Balance at 31 March 2023	1,220,000,000	1,247,532	(1,502,324,554)	(281,077,022)
Balance at 1 April 2021	920,000,000	4,013	(1,130,084,170)	(210,080,157)
Net loss for the year	-	-	(270,011,141)	(270,011,141)
Other comprehensive loss for the year	-	-	(3,571,700)	(3,571,700)
Balance at 31 March 2022	920,000,000	4,013	(1,403,667,011)	(483,662,998)



Director



Chairman

**Kansai Nerolac Paints (Bangladesh) Limited
Statement of Cash Flows
For the year ended 31 March 2023**

	31 March 2023	31 March 2022
	Taka	Taka
A. Cash flows from operating activities		
Cash receipts from customers and others	2,994,271,103	2,509,005,078
Cash payments to suppliers and employees	(2,860,489,009)	(2,899,094,484)
Cash generated/ (used in) from operating activities	133,782,094	(390,089,406)
Income tax paid	(105,893,608)	(91,110,849)
Net cash generated/ (used in) from operating activities	27,888,486	(481,200,255)
B. Cash flows from investing activities		
Payment for acquisition of property, plant and equipment	(79,841,106)	(25,185,526)
Proceeds from sale of property, plant and equipment	1,869,785	12,682,177
Payment for acquisition of capital work in progress	(110,540)	(751,897)
Interest received on bank deposit	470,628	833,042
Payment for acquisition of intangible assets	(700,000)	-
Net cash used in investing activities	(78,311,233)	(12,422,204)
C. Cash flows from financing activities		
Proceeds from loan and borrowings	(194,164,791)	425,071,620
Lease payment	(22,478,587)	(20,065,524)
Issuance of new share	300,000,000	-
Increase of share money deposits	1,243,519	-
Net cash flows from financing activities	84,600,141	405,006,096
D. Net increase/(decrease) in cash and cash equivalents (A+B+C)	34,177,394	(88,616,363)
Cash and cash equivalents at the beginning of the year	53,380,082	141,996,445
Cash and cash equivalents at the end of the year	87,557,476	53,380,082

These financial statements should be read in conjunction with annexed notes


Director


Chairman

**Kansai Nerolac Paints (Bangladesh) Limited
Notes to the Financial Statements
For the year ended 31 March 2023**

01 The Company and its nature of business

1.1 Company profile

Kansai Nerolac Paints (Bangladesh) Limited formerly known as RAK Paints Limited (hereinafter referred to as "the Company"), is a public company limited by shares, was incorporated in Bangladesh under the Companies Act, 1994 vide registration no. C -76335/09 dated 20 April 2009 and currently has its registered office at RAK Tower (12th Floor), Plot No. # 1, Jasimuddin Avenue, Sector # 3, Uttara Model Town, Dhaka-1230. The authorised capital of the Company is Taka 1,500 million divided into 150 million ordinary shares of Taka 10 each as on 31 March 2023. The paid up capital stands at Taka 1,220 million as on 31 March 2023. The Company started its commercial operation on 02 April 2011.

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

1.2 Nature of business

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

02 Basis of preparation of financial statements

2.1 Basis of accounting

The financial statements of the Company comprise the statement of financial position, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, and notes to the financial statements including a summary of significant accounting policies that have been prepared in accordance with International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), the Companies Act, 1994 and other applicable laws in Bangladesh.

These financial statements have been prepared on a going concern basis. Unless otherwise specifically mentioned, historical cost principle has been followed for these financial statements.

2.2 Reporting period

The Company's financial statements cover from 01 April 2022 to 31 March 2023.

2.3 Functional and presentation currency

These financial statements are presented in Bangladeshi Taka, both functional and presentation currency of the Company. Accordingly, all financial information is presented in Taka and rounded off to the nearest Taka unless otherwise indicated.

2.4 Basis of measurement

These financial statements have been prepared on a historical cost basis in the statement of financial position except for the inventories, which are measured at cost or net realizable value, whichever is lower.

2.5 Use of judgments and estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Accordingly, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

In particular, information about significant areas of estimates and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in these financial statements are stated in the following notes:

	<u>Note references</u>
Property, plant and equipment	: Note - 3.1 and 5
Intangible assets	: Note - 3.2 and 6
Right-of-use assets	: Note - 3.4.1 and 8
Lease liabilities	: Note - 3.4.2 and 17
Provision for trade receivables	: Note - 10.1.1
Current tax liabilities	: Note - 3.9 and 21
Employee benefits	: Note - 3.8 and 16
Contingent liabilities	: Note - 3.12 and 31
Inventories	: Note - 3.5 and 9

03 Significant accounting policies

The Company has consistently applied the following accounting policies to all the years presented in these financial statements.

3.1 Property, plant and equipment

Initial recognition

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

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

Subsequent costs

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

Depreciation

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

<u>Category of assets</u>	<u>Rate of depreciation</u>
Factory building	5%
Plant and machinery	10%
Furniture and fixtures	10%
Office equipment	15%
Communication equipment	15%
Electrical installation	10%
Gas pipe line	10%
Tools and appliances	25%
Laboratory equipment	10%
Vehicles	20%

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

3.2 Intangible assets

Initial recognition

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

Subsequent costs

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

Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of the intangible assets from the month they are available for use and is generally recognised in profit or loss. The current and comparative rates of amortization on the useful life of assets are as follows:

<u>Category of assets</u>	<u>Rate of amortisation</u>
Graphic software	20%
Color visualize software	20%

3.3 Capital work in progress

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

3.4 Leases

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the underlying assets' right to use.

3.4.1 Right-of-use assets

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

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

3.4.2 Lease liabilities

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

3.4.3 Short-term leases and leases of low-value assets

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

3.5 Basis of valuation of inventories

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

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

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

<u>Category</u>	<u>Basis of valuation</u>	<u>Method</u>
Raw and packing materials	At the lower of cost or net realisable value	Weighted average cost
Finished goods	At the lower of cost or net realisable value	Weighted average cost
Work in process	At cost	-
Goods in transit	At cost	-

3.6 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.

3.6.1 Financial assets

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

Initial recognition

The Company initially recognises financial assets in its statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

Derecognition

The Company derecognizes a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire, or it transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Initial measurement

(i) Cash and cash equivalents

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

(ii) Trade and other receivables

Trade receivables represent the amounts due from the customers for local and exports sales. Trade receivables are stated net of provision for doubtful debts.

Other receivables comprise receivables from scrap sales, commission and FDRs' interest.

Subsequent measurement of financial assets

The Company classifies its financial assets as subsequently measured at amortised cost.

3.6.2 Financial liabilities

Financial liabilities include creditors for goods, creditors for expenses, creditors for other finance and accrued expenses.

Initial recognition

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

Derecognition

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

(i) Trade and other payables

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

(ii) Loans and borrowings

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

3.7 Advance from customers

The amount received from the dealers and corporate clients is booked under 'advance from customers' as 'current liability' at the time of the receipt and treated as 'sale' only when the performance obligations are satisfied.

3.8 Employees benefits

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

3.8.1 Defined benefit plan (gratuity)

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

3.8.2 Defined contribution plan (provident fund)

Defined contribution plan is a post employment benefit plan. The recognised Employees Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the Company also makes the same contribution to the fund.

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

3.8.3 Employee leave encashment

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

3.9 Taxation

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

3.9.1 Current tax

Provision for the current year's taxation is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provision of the prevailing Finance Act 2022/Income Tax Ordinance, 1984.

3.9.2 Deferred tax

Deferred tax is recognised in compliance with IAS 12 "Income Taxes". Deferred tax arises due to deductible or taxable temporary differences for the events or transactions recognized in the statement of profit or loss and other comprehensive income. A temporary difference is the difference between the tax base of an asset or liability and its carrying amount or reported amount in the statement of financial position. Deferred tax asset or liability is the amount of income tax recoverable or payable in future periods recognized in the current period. The deferred tax asset/income or liability/expense does not create a legal recoverability/liability to and from the income tax authority.

As at 31 March 2023, deferred tax assets amounting to Taka 394,310,840 were not recognized. The Company recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will be recovered in the future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the quantum and timing of future taxable income. However, the Company has not recognised any deferred tax assets as at date, considering the uncertainty of its future recoverability.

4.0 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency using the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the statement of profit or loss and other comprehensive income.

3.10 Provisions

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

3.11 Government grant

The Company applies the income approach method i.e., the grant is recognized in profit or loss over one or more periods. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the related costs for which the grant is intended to compensate. Accordingly, grants are deducted in reporting the related expenses and liabilities.

3.12 Contingencies

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

3.13 Revenue

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

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

3.14 Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred unless capitalisation is required under International Accounting Standards (IAS) 23 "Borrowing Costs". No borrowing cost has been capitalised during the year.

3.15 Finance costs

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

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

3.16 Finance income

Finance income comprises interest income on funds invested. Interest income is recognised on an accrual basis.

3.17 Statement of cash flows

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

3.18 Events after the reporting date

Events after the reporting date that provide additional information about the Company's position at the reporting date or those that indicate the going concern assumption is inappropriate are reflected in the financial statements. In addition, material events after the reporting date that are not adjusting events are disclosed in note 33.

04 General

- i) Comparative information has been rearranged whenever considered necessary to conform to the current year's presentation; and
- ii) Amounts appearing in the financial statements have been rounded off to the nearest Taka. As a result of these rounding off, the totals may not match the sum of individual balances in some instances.

05 Property, plant and equipment - net

Particulars	Cost				Rate %	Accumulated depreciation			Written down value as at 31 March 2023	
	Balance as at 1 April 2022	Addition during the year	Disposal during the year	Balance as at 31 March 2023		Balance as at 1 April 2022	Charged during the year	Adjustment during the year		Balance as at 31 March 2023
	(Amounts in Taka)	(Amounts in Taka)	(Amounts in Taka)	(Amounts in Taka)		(Amounts in Taka)	(Amounts in Taka)	(Amounts in Taka)		(Amounts in Taka)
Land	23,143,600	14,512,683	-	37,656,283	-	-	-	-	37,656,283	
Factory buildings	136,214,058	34,340,677	-	170,554,735	5.0%	8,104,359	-	79,430,954	91,123,781	
Plant and machinery	112,086,288	14,644,859	-	126,731,147	10.0%	2,615,388	-	104,305,582	22,425,565	
Furniture and fixture	16,134,981	3,710,755	(8,175)	19,837,561	10.0%	1,583,676	(16,407)	7,890,663	11,946,898	
Office equipment	28,630,326	5,500,439	(34,240)	34,096,525	15.0%	3,494,201	(23,724)	18,766,094	15,330,431	
Communication equipment	6,227,250	342,011	(111,308)	6,457,954	15.0%	3,383,373	(30,071)	4,118,256	2,339,698	
Electrical installation	19,718,424	1,491,988	-	21,210,412	10.0%	18,682,257	-	19,011,706	2,198,706	
Gas pipe line	8,885,112	194,000	-	9,079,112	10.0%	7,432,462	-	8,340,373	738,739	
Tool and appliances	14,731,151	2,403,942	-	17,135,093	25.0%	6,493,357	-	9,696,804	7,438,289	
Laboratory equipment	5,427,825	1,495,616	-	6,923,441	10.0%	2,208,090	-	2,777,760	4,145,681	
Vehicles	34,936,174	1,204,135	(1,716,062)	34,424,247	20.0%	29,526,742	(1,716,062)	30,394,692	4,029,555	
Total 31 March 2023	406,135,189	79,841,106	(1,869,785)	484,106,510		262,362,081	(1,786,264)	284,732,884	199,373,626	
Total 31 March 2022	393,631,840	25,185,526	(12,682,177)	406,135,189		249,971,146	(12,485,952)	262,362,081	143,773,108	

*During the year, the Company has acquired 26 decimals of land located at Bhullta, Rupgonj, Narayangonj from Vibgyor. Out of the total of 26 decimals of land, mutation has been completed for 20 decimals of land and the mutation for remaining portion of land is yet to be completed.

5.1 Allocation of depreciation charged

	31 March 2023	31 March 2022
	Taka	Taka
Cost of goods sold (note - 23.2)	15,869,336	15,720,239
Administrative expenses (note - 24)	3,817,234	3,467,586
Selling expenses (note - 25)	4,470,498	5,689,062
	24,157,068	24,876,887

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		31 March 2023		31 March 2022
		<u>Taka</u>		<u>Taka</u>
06	Intangible assets			
	Software			
	A. Cost			
	Opening balance	1,812,938		1,812,938
	Addition made during the year	700,000		-
		<u>2,512,938</u>		<u>1,812,938</u>
	B. Accumulated amortisation			
	Opening balance	1,772,240		1,093,402
	Amortisation during the year	145,300		678,838
		<u>1,917,540</u>		<u>1,772,240</u>
	C. Written down value (A-B)	<u>595,398</u>		<u>40,698</u>
07	Capital work in progress			
	Factory Building	<u>1,205,340</u>		<u>1,094,800</u>
	The above-noted amount represents cost of survey for constructing a new shade in the factory premises of the Company. However, the construction work is currently discontinued considering current financial conditions. The initial budgeted amount to complete this shed was approximately Taka 159 million.			
08	Right-of-use assets			
	Building			
	A. At cost			
	Opening balance	65,466,323		47,844,933
	Additions made during the year	37,454,175		19,994,089
	Disposals/adjustments during the year	(29,008,648)		(2,372,700)
		<u>73,911,850</u>		<u>65,466,323</u>
	B. Accumulated depreciation			
	Opening balance	37,189,175		19,097,282
	Charged during the year (note - 8.1)	21,455,998		20,464,593
	Disposals/adjustments during the year	(29,008,648)		(2,372,700)
		<u>29,636,526</u>		<u>37,189,175</u>
	C. Written down value (A-B)	<u>44,275,325</u>		<u>28,277,148</u>
8.1	Allocation of depreciation charged			
	Administrative expenses (note - 24)	9,562,829		10,075,926
	Selling expenses (note - 25)	11,893,170		10,388,667
		<u>21,455,998</u>		<u>20,464,593</u>
09	Inventories			
	Raw materials	346,461,268		315,041,465
	Stores and spares	11,919,032		10,671,758
	Packing materials	12,668,591		13,215,107
	Goods-in-transit	1,817,407		1,865,966
	Work in process	9,461,693		11,350,394
	Finished goods	151,721,089		208,815,558
	Promotional materials	9,052,572		9,392,992
		<u>543,101,652</u>		<u>570,353,240</u>
10	Trade and other receivables			
	Trade receivables (note - 10.1)	767,356,326		783,070,350
	Other receivables (note - 10.2)	7,930,029		6,359,275
		<u>775,286,355</u>		<u>789,429,625</u>
10.1	Trade receivables			
	Receivables - local	707,292,469		717,958,026
	Receivables - export	6,689,309		4,885,546
	Receivable from dealer (Tinting)	75,874,548		79,726,778
		<u>789,856,326</u>		<u>802,570,350</u>
	Provision for trade receivables (note - 10.1.1)	(22,500,000)		(19,500,000)
		<u>767,356,326</u>		<u>783,070,350</u>

	31 March 2023	31 March 2022
	<u>Taka</u>	<u>Taka</u>
10.1.1 Provision for trade receivables		
Opening balance	19,500,000	18,000,000
Provision made during the year	3,000,000	1,500,000
	<u>22,500,000</u>	<u>19,500,000</u>
10.2 Other receivables		
Receivables from sales of scrap	2,865,135	4,701,940
Accrued interest on FDR	139,587	126,451
Others	4,925,307	1,530,884
	<u>7,930,029</u>	<u>6,359,275</u>
11 Advances, deposits and prepayments		
Advances		
Advance to suppliers	18,234,619	6,373,067
Advance to service providers	33,423,949	14,357,731
Other advances	11,634,579	41,968,774
	<u>63,293,147</u>	<u>62,699,572</u>
Deposits		
Deposit for office rent	1,460,000	746,000
Security deposit for utilities	3,464,043	3,100,634
Margin money	63,402,824	38,339,240
	<u>68,326,867</u>	<u>42,185,874</u>
Prepayments		
Insurance premium	5,434,297	10,187,814
Office rent	142,951	2,405,361
Advertisement	-	507,043
BSTI renewal fee	-	237,500
	<u>5,577,248</u>	<u>13,337,718</u>
	<u>137,197,262</u>	<u>118,223,164</u>
12 Advance income tax		
AIT on imported goods	326,315,758	260,957,060
AIT on registration and renewal	2,512,731	2,208,590
AIT on interest on bank deposit	257,107	185,104
AIT on sales	106,625,423	66,466,810
AIT on courier services	13,916	13,764
	<u>435,724,936</u>	<u>329,831,328</u>
13 Cash and cash equivalents		
Cash in hand	12,599,495	11,639,661
Cash at bank (note - 13.1)	74,957,981	41,740,421
	<u>87,557,476</u>	<u>53,380,082</u>
13.1 Cash at bank		
Current account (note - 13.2)	22,837,917	5,507,746
Investment in Fixed Deposit Receipts (FDRs)*	26,576,207	27,916,330
Short term deposit (STD) - Prime Bank Limited	6,929,792	-
Mobile Financial Service (MFS)-Dutch Bangla Bank Limited	18,614,065	8,316,345
	<u>74,957,981</u>	<u>41,740,421</u>
*FDRs marked lien by Bank.		
13.2 Current account		
Pubali Bank Limited	2,542,877	4,372,043
One Bank Limited	563,350	123,012
Bank Asia Limited	5,376,812	768,106
State Bank of India	240,575	244,585
Dutch Bangla Bank Limited	12,544,083	-
Dhaka Bank Limited	1,570,220	-
	<u>22,837,917</u>	<u>5,507,746</u>

		31 March 2023 <u>Taka</u>	31 March 2022 <u>Taka</u>
14 Share capital			
Authorised			
150,000,000 ordinary shares of Taka 10 each		<u>1,500,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up			
122,000,000 ordinary shares of Taka 10 each		<u>1,220,000,000</u>	<u>920,000,000</u>

Percentage of shareholding

Name of the shareholders	Nationality	Number of shares	Amounts in Taka	Percentage of holding
At 31 March 2023				
Kansai Nerolac Paints Limited	Indian	67,100,000	671,000,000	55.00%
S.A.K Ekramuzzaman	Bangladeshi	50,722,400	507,224,000	41.58%
Shaylin Zaman Akbar	Bangladeshi	2,088,600	20,886,000	1.71%
Qamar-Uz-Zaman	Bangladeshi	2,088,600	20,886,000	1.71%
Naeema Jahan Akhter	Bangladeshi	100	1,000	0.00%
Ashik Malek	Bangladeshi	100	1,000	0.00%
Sangam Lal	Indian	100	1,000	0.00%
Ariane Massaad	Lebanese	100	1,000	0.00%
		<u>122,000,000</u>	<u>1,220,000,000</u>	<u>100%</u>

At 31 March 2022

Kansai Nerolac Paints Limited	Indian	50,600,000	506,000,000	55.00%
S.A.K Ekramuzzaman	Bangladeshi	38,249,600	382,496,000	41.58%
Shaylin Zaman Akbar	Bangladeshi	1,575,000	15,750,000	1.71%
Qamar-Uz-Zaman	Bangladeshi	1,575,000	15,750,000	1.71%
Naeema Jahan Akhter	Bangladeshi	100	1,000	0.00%
Ashik Malek	Bangladeshi	100	1,000	0.00%
Sangam Lal	Indian	100	1,000	0.00%
Ariane Massaad	Lebanese	100	1,000	0.00%
		<u>92,000,000</u>	<u>920,000,000</u>	<u>100%</u>

- 14.1** The Company in the Extra-ordinary General Meeting (EGM) held on 07 July 2022 has decided to increase authorized capital to Taka 1.5 billion divided into 150 million ordinary shares of Taka 10 each. The Company has applied for the amendment of Memorandum of Association (MoA) to Registrar of Joint Stock Companies and Firms (RJSC) on 11 December 2022. In this regard, the Company is awaiting to receive the certified amendment copy of the same.
- 14.2** During the year, the Company has received Taka 166,243,519, Taka 124,728,000, Taka 5,136,000 and Taka 5,136,000 as share money deposits from Kansai Nerolac Paints Limited, Mr. S.A.K Ekramuzzaman, Mr. Qamar -Uz - Zaman and Ms. Shaylin Zaman Akbar respectively. As a result, the aggregate balance of share money deposits stood at Taka 301,247,532. On 06 December 2022, the Company has issued 12,472,800, 16,500,000, 513,600 and 513,600 ordinary shares of Taka 10 each to Mr. S.A.K Ekramuzzaman, Kansai Nerolac Paints Limited, Mr. Qamar-Uz-Zaman and Ms. Shaylin Zaman Akbar respectively, totaling Taka 300,000,000. The share allotment and related papers have been submitted to the RJSC. In this regard, the Company is awaiting to receive the certified copy of the same.
- 14.3** The Company is yet to receive the certified copies of share allotment and related documents from the RJSC with respect to issuance of 13,500,000, and 16,500,000 ordinary shares of Taka 10 each on 31 December 2020 to Mr. S.A.K Ekramuzzaman and Kansai Nerolac Paints Limited, respectively, totaling Taka 300,000,000.
- 14.4** The board of directors in its meeting held on 13 March 2019, approved to transfer entire holding of 100 ordinary shares of Ms. Ariane Massaad to Ms. Shaylin Zaman Akbar which has not been effected yet in the absence of any approval from the RJSC.

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	31 March 2023 <u>Taka</u>	31 March 2022 <u>Taka</u>
15 Share money deposits		
Kansai Nerolac Paints Limited	<u>1,247,532</u>	<u>4,013</u>
15.1 Movement of share money deposits		
Opening balance - Kansai Nerolac Paints Limited	4,013	4,013
Add: Received during the year		
Kansai Nerolac Paints Limited	166,243,519	-
S.A.K Ekramuzzaman	124,728,000	-
Mr. Qamar Uz Zaman	5,136,000	-
Ms. Shaylin Zaman Akbar	5,136,000	-
	<u>301,247,532</u>	<u>4,013</u>
Less: Issued to share capital		
Kansai Nerolac Paints Limited	165,000,000	-
S.A.K Ekramuzzaman	124,728,000	-
Mr. Qamar Uz Zaman	5,136,000	-
Ms. Shaylin Zaman Akbar	5,136,000	-
	<u>300,000,000</u>	<u>-</u>
	<u>1,247,532</u>	<u>4,013</u>
16 Employees benefits		
Provident fund (note - 16.1)	23,478,083	16,267,140
Leave encashment (note - 16.2)	27,882,918	20,719,552
Gratuity fund (note - 16.3)	12,331,897	7,008,500
	<u>63,692,898</u>	<u>43,995,192</u>
Employees benefits are segregated as follow:		
Employees benefits - non current portion	12,250,338	6,839,985
Employees benefits - current portion	51,442,560	37,155,207
	<u>63,692,898</u>	<u>43,995,192</u>
16.1 Provident fund		
Opening balance	16,267,140	1,643,784
Add: Provision made during the year	18,648,482	17,573,434
	<u>34,915,622</u>	<u>19,217,218</u>
Less: Contribution transferred during the year	11,437,539	2,950,078
	<u>23,478,083</u>	<u>16,267,140</u>
16.2 Leave encashment		
Opening balance	20,719,552	13,404,505
Add: Addition made during the year	9,513,388	8,088,519
	<u>30,232,940</u>	<u>21,493,024</u>
Less: Payment made during the year	2,350,022	773,472
	<u>27,882,918</u>	<u>20,719,552</u>
16.3 Gratuity fund		
Opening balance	7,008,500	610,010
Add: Addition made during the year	8,323,397	7,757,037
	<u>15,331,897</u>	<u>8,367,048</u>
Less: Payments made during the year	3,000,000	1,358,548
	<u>12,331,897</u>	<u>7,008,500</u>
Employees gratuity fund is segregated as follows:		
Non-current portion	12,250,338	6,839,985
Current portion	81,559	168,515
	<u>12,331,897</u>	<u>7,008,500</u>

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

	Amounts in Taka					
	Defined benefit obligation		Fair value of asset		Net defined (asset)/ liability	
	2023	2022	2023	2022	2023	2022
Balance at 1 April	30,554,014	22,439,528	23,545,514	21,829,518	7,008,500	610,010
Included in profit or loss						
Current service cost	6,548,992	5,933,246	-	-	6,548,992	5,933,246
Past service cost	-	-	-	-	-	-
Interest expense (income)	2,368,744	1,943,241	2,136,445	623,654	232,299	1,319,587
	8,917,736	7,876,487	2,136,445	623,654	6,781,291	7,252,833
Included in OCI						
Remeasurement loss (gain):						
-Actuarial loss (gain) arising from:						
-demographic assumption	-	-	-	-	-	-
-financial assumption	(6,729,355)	6,170,272	-	-	(6,729,355)	6,170,272
-experience adjustment	9,694,863	(2,354,823)	-	-	9,694,863	(2,354,822)
-return on assets	-	-	(2,136,445)	243,750	2,136,445	(243,750)
	2,965,508	3,815,449	(2,136,445)	243,750	5,101,953	3,571,700
Other						
Contribution paid by the employer	-	-	8,323,397	6,898,489	(8,323,397)	(6,898,489)
Increase due to plan combination	-	-	-	-	-	-
Benefits paid	(3,050,580)	(3,577,450)	(3,050,580)	(3,577,450)	-	-
Other (Employee contribution, taxes, expenses)	-	-	(1,763,350)	(2,472,447)	1,763,350	2,472,446
	(3,050,580)	(3,577,450)	3,509,267	848,592	(6,559,847)	(4,426,043)
Balance at 31 March	39,386,678	30,554,014	27,054,781	23,545,514	12,331,897	7,008,500

	31 March 2023	31 March 2022
	<u>Taka</u>	<u>Taka</u>
Defined benefit obligation		
16.4.1 Net Defined Benefit Liability/ (Asset) reconciliation		
Balance at 1 April	7,008,500	610,010
Defined benefit cost included in profit or loss	6,781,291	7,252,833
Total remeasurements included in OCI	5,101,953	3,571,700
Amount recognised due to plan combinations	-	-
Employer contributions	(8,323,397)	(6,898,489)
Other (Employee contribution, taxes, expenses)	1,763,550	2,472,446
Balance at 31 March	<u>12,331,897</u>	<u>7,008,500</u>

16.4.2 Characteristics of defined benefit plans

Valuation Date	: 31 March 2023.
Sponsoring Employer	: Kansai Nerolac Paints (Bangladesh) Limited.
Type of Plan	: Defined benefit.
Eligibility	: As per the Company Rules / Bangladesh Labour Act 2006.
Vesting Period	: 5 years (Other than Death/ Disability).
Employer's Contribution	: 100%
Member's Contribution	: Nil.
Benefit Basis	: Accrued benefit.
Normal Retirement Benefit	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Death in Service	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Disability in Service	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Death, Disability, Early Retirement/ Termination/ Resignation/ Withdrawal	: As per the Company Rules / Bangladesh Labour Act 2006.
Maximum limit on Benefits	: No Limit.
Gratuity Formula	: 15/26 * Last drawn salary * Number of completed years of service
Normal Retirement Age	: 60 Years.
Month of release of annual salary increment	: January.

16.4.3 Actuarial assumptions

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

	31 March 2023	31 March 2022
	<u>Rate</u>	<u>Rate</u>
Discount rate	9.07%	8.16%
• Future salary growth (Salary escalation)	10.00%	10.00%

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

16.4.4 Sensitivity analysis

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

	31 March 2023	31 March 2022
	<u>Taka</u>	<u>Taka</u>
Increase of discount rate (1% movement)	(33,286,204)	(25,490,860)
Decrease of discount rate (1% movement)	46,852,400	36,835,120
Increase of future salary growth (1% movement)	46,587,368	36,562,683
Decrease of future salary growth (1% movement)	(33,372,241)	(25,593,618)

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

The Company has a funded gratuity scheme recognized by National Board of Revenue (NBR). Contributions to the fund by the Company were recognized in profit or loss of the Company but the value of plan assets and present value of defined benefit obligation were not in the financial statements of the Company till 2019. The fair value of plan assets and present value of defined benefit obligation was first recognized in the financial statements of the Company starting from 2020 as per IAS 19 "Employee Benefits". The amounts were recognised as per Actuarial Valuation Report carried out by professional actuary for the year ended 31 March 2023.

16.4.5 Maturity profile defined benefit obligations

	<u>Taka</u>
Year 1	81,559
Year 2	98,064
Year 3	291,326
Year 4	140,478
Year 5	198,828
Year 6	204,115
Year 7	1,649,858
Year 8	359,222
Year 9	2,436,975
Year 10	426,095
Year 11 and onwards	228,167,839

The weighted average duration of the defined benefit obligation is 19.00.

	31 March 2023	31 March 2022
	<u>Taka</u>	<u>Taka</u>
17 Lease liabilities		
Lease liabilities recognized in statement of financial position		
Lease liabilities - non current portion	21,035,271	19,829,704
Lease liabilities - current portion	20,929,963	7,480,328
	<u>41,965,234</u>	<u>27,310,032</u>
17.1 Amounts recognized in profit or loss		
Interest on lease obligation	4,741,736	3,635,977
Depreciation expense	21,455,998	20,464,593
	<u>26,197,734</u>	<u>24,100,569</u>
17.2 Amounts recognized in statement of cash flows		
Total cash outflows for leases	<u>22,478,587</u>	<u>21,209,280</u>
17.3 Movement in lease payable		
Opening balance	27,310,032	27,381,466
Additions during the year	32,392,053	17,501,869
Interest charged during the year	4,741,736	3,635,977
Payment made during the year	(22,478,587)	(21,209,280)
	<u>41,965,234</u>	<u>27,310,032</u>
18 Loan and borrowings		
Bank overdraft (note - 18.1)	794,506,910	906,719,430
Short term borrowings (note - 18.2)	883,853,787	965,806,058
	<u>1,678,360,697</u>	<u>1,872,525,488</u>
18.1 Bank overdraft		
State Bank of India	306,416,090	306,400,449
Standard Chartered Bank	1,859,618	101,926,774
Pubali Bank Limited	408,106,869	415,894,384
Bank Asia Limited	78,124,333	71,018,325
Dutch Bangla Bank Limited	-	11,141,985
Dhaka Bank Limited	-	337,513
	<u>794,506,910</u>	<u>906,719,430</u>
18.2 Short term borrowings		
Bank Asia Limited	25,983,503	50,788,616
One Bank Limited	104,949,135	108,536,545
Pubali Bank Limited	172,921,149	206,480,897
Standard Chartered Bank	580,000,000	600,000,000
	<u>883,853,787</u>	<u>965,806,058</u>
19 Trade and other payables		
Trade payables	294,742,738	232,486,827
Other payables - intercompany (note - 19.1)	93,962,847	64,649,606
	<u>388,705,585</u>	<u>297,136,433</u>

19.1 The Company entered into an agreement with its parent Kansai Nerolac Paints Limited to pay royalty at the rate of 1% to 3% on its net sales value. The agreement is effective from 1 January 2019. However, the Company provided for royalty expenses at the rate 1% on its net sales value.

Hoda Vasi Chowdhury & Co

	31 March 2023	31 March 2022
20 Accruals	<u>Taka</u>	<u>Taka</u>
TDS and VDS payables	44,652,342	28,164,546
VAT and SD payable against sales	17,753,891	24,630,977
Power and Gas	1,862,193	1,234,500
Staff cost	36,611,234	30,461,105
Audit fees	550,000	550,000
Telephone	429,987	430,040
Interest	22,375,039	14,852,870
Advertisement	1,897,063	-
Others	37,935,019	81,835,086
	<u>164,066,768</u>	<u>182,159,123</u>
21 Current tax liabilities		
Opening balance	60,503,752	44,404,531
Add: Addition made during the year	18,048,049	16,099,221
	<u>78,551,801</u>	<u>60,503,752</u>

Hoda Vasi Chowdhury & Co

	31 March 2023	31 March 2022
	<u>Taka</u>	<u>Taka</u>
22 Revenue		
Sales of product - local	4,648,679,814	4,412,362,419
Service revenue	11,695,069	7,453,129
	4,660,374,882	4,419,815,549
Value Added Taxes (VAT)	(482,181,538)	(472,898,139)
Supplimentary Duty (SD)	(74,909,534)	(106,212,618)
Discounts and rebates	(1,168,450,855)	(1,243,682,077)
	2,934,832,955	2,597,022,715
Sales - export	29,656,691	28,913,369
	2,964,489,646	2,625,936,084
23 Cost of sales		
Raw and packaging material	1,824,906,406	1,938,544,283
Direct labour (note - 23.1)	60,856,976	61,937,532
Direct expenses (note - 23.2)	31,226,576	35,978,587
Other production overhead (note - 23.3)	75,837,265	61,901,898
Movement in work in progress and finished goods	106,209,216	5,083,881
Application charges (SLE)	12,208,122	4,973,823
	2,111,244,561	2,108,420,004
23.1 Direct labour		
Salaries and wages	34,001,420	33,917,683
Overtime	2,549,250	2,239,918
Bonus	5,851,468	3,226,160
Temporary labour wages	10,711,878	16,485,295
Gratuity fund	1,602,483	1,553,897
Provident fund	1,577,386	1,495,136
Leave encashment	1,529,666	1,456,027
Health and other welfare expense	-	30,060
Staff welfare	2,784,057	1,533,356
Uniform to workers main plant	249,368	-
	60,856,976	61,937,532
23.2 Direct expenses		
Power and gas	11,965,170	12,286,765
Repairs and indirect materials	3,392,070	7,971,583
Depreciation on property, plant and equipment (note - 5.1)	15,869,336	15,720,239
	31,226,576	35,978,587
23.3 Other production overhead		
Demurrage	45,751,221	33,721,152
Insurance	9,686,259	4,176,927
Travelling, hauling and fooding expenses	4,280,168	3,524,148
Rent and rates	1,150,400	6,693,034
Fuel, toll and vehicle maintenance	1,154,764	1,136,721
Security and safety	3,075,970	2,734,891
Other expenses	10,738,483	9,915,025
	75,837,265	61,901,898
24 Administrative expenses		
Staff cost (note - 24.1)	55,370,025	42,754,869
Telephone, postage and supplies	4,572,666	4,051,298
Office repairs and maintenance(note - 24.2)	7,661,039	5,261,741
Security and guard expenses	71,680	-
Registration and renewal	5,150,989	4,654,528
Legal and professional fees	7,505,801	1,707,424
Audit fees	1,300,000	1,075,000
Vehicle repair and maintenance	827,540	1,888,740
Rent, rates and taxes	1,918,470	2,913,590
Insurance	223,242	411,232
Depreciation on property, plant and equipment (note - 5.1)	3,817,234	3,467,586
Depreciation on right-of-use assets (note - 8)	9,562,829	10,075,926
Others	808,870	553,877
	98,790,385	78,815,811

Hoda Vasi Chowdhury & Co

	31 March 2023	31 March 2022
	<u>Taka</u>	<u>Taka</u>
24.1 Staff cost		
Salaries and wages	42,043,444	33,471,109
Overtime	9,314	-
Bonus	4,768,370	1,964,581
Leave encashment	1,625,258	1,222,138
Gratuity expenses	1,348,886	1,576,957
Provident fund	1,276,315	1,214,482
Staff welfare and fooding expenses	2,256,359	1,207,172
Hotel, conveyance, tour and ticket	1,852,507	1,090,088
Foreign technician expenses	189,572	1,008,342
	<u>55,370,025</u>	<u>42,754,869</u>
24.2 Office repairs and maintenance		
Repairs and maintenance	5,431,418	3,301,735
Electricity, gas and water	2,229,621	1,960,006
	<u>7,661,039</u>	<u>5,261,741</u>
25 Selling expenses		
Staff cost (note - 25.1)	227,072,369	216,418,310
Advertisement	33,445,491	52,817,127
Royalty	29,313,241	26,427,860
Telephone, postage and supplies	7,015,660	6,800,631
Freight and transportation/delivery expenses	85,783,655	82,634,182
Business promotion	143,507,496	84,418,999
Travel, entertainment and others	26,866,112	23,381,691
Security and guard expenses	7,089,400	6,250,200
Rent, rates and taxes	2,765,888	1,918,057
Vehicle repairs and maintenance	13,715,184	14,009,188
Other repairs and maintenance (note - 25.2)	5,967,363	5,414,540
Bad and doubtful debts	6,085,846	6,706,440
Depreciation on property, plant and equipment (note - 5.1)	4,470,498	5,689,062
Amortization on intangible assets (note - 6)	145,300	678,838
Depreciation on right-of-use assets (note - 8)	11,893,170	10,388,667
Registration and renewal	256,848	21,150
	<u>605,393,521</u>	<u>543,974,942</u>
25.1 Staff cost		
Salaries and wages	165,219,220	151,500,643
Bonus and incentive	34,781,439	38,376,446
Gratuity fund	270,075	195,935
Provident fund	6,470,540	5,727,021
Leave encashment	6,358,464	5,992,710
Fooding expenses and others	13,972,631	14,625,555
	<u>227,072,369</u>	<u>216,418,310</u>
25.2 Other repairs and maintenance		
Electricity, gas and water	1,369,774	1,036,085
Other maintenance	4,597,589	4,378,455
	<u>5,967,363</u>	<u>5,414,540</u>
26 Other income		
Sales of scrap	9,873,065	12,828,450
Gain on sale of property, plant and equipment	715,193	3,163,716
Indent commission	10,725,828	4,373,913
	<u>21,314,086</u>	<u>20,366,079</u>
27 Net finance cost		
Interest income	470,628	833,042
Finance cost (note - 27.1)	(246,353,434)	(169,836,368)
	<u>(245,882,806)</u>	<u>(169,003,326)</u>

	31 March 2023	31 March 2022
	Taka	Taka
27.1 Finance cost		
Interest expenses	173,243,801	156,823,512
Interest on leases	4,741,736	3,635,977
Foreign exchange loss	68,367,897	9,376,879
	<u>246,353,434</u>	<u>169,836,368</u>
28 Income tax expense		
Current tax expense	<u>18,048,049</u>	<u>16,099,221</u>

As per the applicable tax law, the Company has to pay tax at the rate applicable to it subject to a minimum tax which is higher of (a) regular tax calculated on the income from regular sources or (b) at the rate of 0.60% of total gross receipts or (c) tax deducted at source for export and at the time of sale u/s 52 and 53BBBB (as covered u/s 82C) of the Income Tax Ordinance 1984. As tax calculated on gross receipts is higher, we have considered the tax calculated on the gross receipts as tax expenses for the income year.

29 Earnings per share (EPS)

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

	31 March 2023	31 March 2022
	<u>Taka</u>	<u>Taka</u>
29.1 Basic earnings per share		
The computation of earnings per share is given below:		
Earnings attributable to the ordinary shareholders	(93,555,590)	(270,011,141)
Weighted average number of ordinary shares outstanding during the year (note - 29.1.1)	101,534,247	92,000,000
	<u>(0.92)</u>	<u>(2.93)</u>

29.1.1 Weighted average number of ordinary shares outstanding

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

	31 March 2023	31 March 2022
	<u>No of share</u>	<u>No of share</u>
Issued ordinary shares	92,000,000	92,000,000
Effect of share issued during the year	9,534,247	-
	<u>101,534,247</u>	<u>92,000,000</u>

The impact of the weighted average of new shares issued have been calculated considering share allotment date i.e. 06 December 2022.

29.2 Diluted earnings per share

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

	31 March 2023	31 March 2022
	<u>Number</u>	<u>Number</u>
30 Number of employees engaged for drawing remuneration		
Disclosure as per requirement of schedule XI Part II of Para 3 is as follows:		
(a) Above Taka 3,000 per month	361	411
(b) Below Taka 3,000 per month	-	-
	<u>361</u>	<u>411</u>

	31 March 2023	31 March 2022
	<u>Taka</u>	<u>Taka</u>
31 Contingent liabilities		
Letter of credit	354,051,871	327,403,361
Bank guarantee (local)	88,328,947	26,866,973
Income tax demand for assessment year 2013-2014	17,205,713	17,205,713
Penalty Order U/s 124 for assessment year 2019-2020	521,291	521,291
	<u>460,107,822</u>	<u>371,997,338</u>

32 Capital expenditure commitment

There were no capital expenditure commitments at year ended 31 March 2023 (31 March 2022: Nil).

33 Events after the reporting date

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

34 Related party transactions

34.1 Parent and ultimate controlling party

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

34.2 Key management personnel compensation

Key management personnel compensation comprised the following:

Nature of related party transactions	Transaction during the year		Balance	
	DR.	CR.	31 March 2023	31 March 2022
Short-term employee benefits	<u>15,679,582</u>	<u>13,948,782</u>	<u>(1,730,800)</u>	<u>(3,461,600)</u>

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

34.3 Other related party transactions

Name of party	Nature of related party transactions	Transaction during the year		Balance	
		DR.	CR.	31 March 2023	31 March 2022
Transactions with parent company					
Kansai Nerolac Paints Limited, India	Royalty	-	29,313,241	(93,962,847)	(64,649,606)
Transactions with other related parties (under common control)					
Speedway International	C&F Agent	26,655,361	25,073,912	334,540	(1,246,910)
	Transport Services	5,414,522	5,563,780	(536,748)	(387,491)
Sky Bird Travels Private Ltd.	Travel Agency	79,705	-	(3,500)	(83,205)
Mr Qamar Uz Zaman	Advance	-	-	(1,174,484)	(1,174,484)
Mr SAK Ekramuzzaman	Rent	1,905,700	1,767,760	-	(137,940)
Star Porcelain Private Ltd.	Sales	2,611,747	1,629,668	1,908,119	926,040
	Purchase (Promotional Items)	1,718,703	1,900,826	(276,126)	(94,003)
Star Ceramics Private Ltd.	Sales	67,926	98,697	54,433	85,204
Automatic Bricks & Ceramics Pvt. Ltd.	Sales	-	221,715	-	221,715
Rakeen Development Co. BD Ltd.	Sales	11,569,108	14,742,500	3,899,699	7,073,091
	Depot Rent and Expenses	-	-	(632,608)	(632,608)
RAK Mosfly Bangladesh Pvt. Ltd.	Sales	-	-	191,261	191,261
RAK Ceramics Bangladesh Ltd.	Sales	364,470	1,215,128	477,280	1,327,938
RAK Security & Services Pvt. Ltd.	Security Services provider	10,048,431	8,748,586	(750,960)	(2,050,805)
RAK Power Ltd.	Sales	-	25,282	-	25,282
Palli Properties Pte Ltd.	Sales	-	16,907	(4)	16,903
	Service Provider	16,079,884	14,008,212	(287,338)	(2,359,010)
Pelikan Plastic & Packaging Pvt. Ltd.	Packaging Material Supplier	14,646,360	14,747,720	(873,199)	(771,839)
Kansai Nerolac Paints Limited, India	Purchase	-	3,133,230	(3,133,230)	-
	Commission	8,359,742	4,965,319	4,925,307	1,530,884
M/s Ekramuzzaman	Purchase	-	-	(24,115)	(24,115)
	Service	-	-	(137,940)	(137,940)
		<u>99,521,660</u>	<u>127,172,484</u>	<u>(90,002,463)</u>	<u>(62,351,638)</u>

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

35 Going concern

The accumulated loss and net equity of the Company as at the year end appear Taka 1,502,324,554 and Taka 281,077,022 respectively.

The financial statements have been prepared on a going concern basis (notwithstanding above mentioned facts) which the directors believe to be appropriate as the Company has neither any intention nor any legal or regulatory compulsion to liquidate or curtail materially the scale of its operations. In addition, during the year ended 31 March 2023, shareholders have injected Taka 300,000,000 as share capital to support the Company's financial position. The management is confident enough to have profitable growth in year 2023-24 and follow the same in the coming years. As per management assessment, there are no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Kansai Nerolac Paints Limited (the Company's immediate holding company) has indicated that for at least 12 months from the date of approval of the financial statements, it will continue to make available such funds as are needed by the Company. The management considers that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

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



Director



Chairman