

## 19. Employee benefits - gratuity

In Taka	Note	As at 31 December	
		2016	2015
Balance as at 1 January		62,883,493	50,740,000
Provision made during the year		23,270,088	13,965,097
		<b>86,153,581</b>	<b>64,705,097</b>
Paid during the year		(9,103,581)	(1,821,604)
Balance as at 31 December		<b>77,050,000</b>	<b>62,883,493</b>
Current portion		2,590,000	5,010,000
Non Current portion		74,460,000	57,873,493
		<b>77,050,000</b>	<b>62,883,493</b>

## 20. Trade and other payables

Intercompany trade payables	20.1	22,608,616	8,757,770
Third party trade payables		165,087,868	61,815,730
<b>Trade payables</b>		<b>187,696,484</b>	<b>70,573,500</b>
Third party other payables	20.2.1	580,330,444	438,252,578
Intercompany other payables	20.2.2	254,851,766	144,219,016
<b>Other payables</b>		<b>835,182,210</b>	<b>582,471,594</b>
		<b>1,022,878,694</b>	<b>653,045,094</b>
Non-current		-	-
Current		1,022,878,694	653,045,094
		<b>1,022,878,694</b>	<b>653,045,094</b>

## 20.1 Intercompany trade payables

SSL Manufacturing (Thailand) Ltd.		-	345,204
Reckitt Benckiser (India) Ltd.		22,607,560	2,645,215
Reckitt Benckiser Healthcare India Ltd.		1,056	2,183,924
Reckitt Benckiser (Lanka) Ltd.		-	478,578
Reckitt Benckiser (Malaysia) Sdn Bhd		-	3,104,849
		<b>22,608,616</b>	<b>8,757,770</b>

## 20.2.1 Third party other payables

Payable for employee remuneration and expenses		423,535,497	399,982,384
Advance from third parties		1,349,996	1,049,996
Withholding tax and VAT payables		16,708,317	4,917,433
Worker's profit participation fund		22,917,891	21,195,227
Payable for capital expenditure		97,379,243	1,917,266
Return provision		5,497,307	4,814,429
Unclaimed dividend	20.2.1.1	12,942,193	4,375,843
		<b>580,330,444</b>	<b>438,252,578</b>

## 20.2.1.1 Unclaimed dividend

In taka	Note	As at 31 December	
		2016	2015
2016 1st Interim		7,700,340	-
2015 1st Interim		787,223	-
2014 Final		146,395	-
2014 2nd Interim		541,090	554,225
2014 1st Interim		1,382,282	1,397,132
2013 Final		1,357,032	1,384,032
2012 Final		452,827	459,240
2011 Final		240,492	243,192
2011 Interim		334,512	338,022
		<b>12,942,193</b>	<b>4,375,843</b>

## 20.2.1.2 Dividend paid during the year

Reckitt Benckiser plc, UK	215,595,490	235,195,080
<b>Foreign shareholders</b>	<b>215,595,490</b>	<b>235,195,080</b>
ICB Unit Fund	2,957,510	2,051,400
Investment Corporation of Bangladesh (ICB)	3,026,815	3,301,980
Mutual Funds	1,766,020	2,839,650
Individuals	12,838,540	15,606,860
Government of Bangladesh	9,808,645	10,700,340
Sadharan Bima Corporation (SBC)	4,343,745	4,725,540
Institutions	9,538,235	9,079,150
<b>Bangladeshi shareholders</b>	<b>44,279,510</b>	<b>48,304,920</b>
<b>Dividend declared and paid in the year</b>	<b>259,875,000</b>	<b>283,500,000</b>

## Payment during the year from unclaimed dividend

2014 2nd Interim	13,135	-
2014 1st Interim	14,850	-
2013 Final	27,000	75,564
2012 Final	6,412	-
2011 Final	2,700	-
2011 Interim	3,510	-
	<b>67,607</b>	<b>75,564</b>
Declared dividend remains unclaimed	(7,700,340)	-
<b>Payment during the year from unclaimed dividend</b>	<b>252,242,267</b>	<b>283,575,564</b>

**20.2.2 Intercompany other payables**

In Taka	Note	As at 31 December	
		2016	2015
Reckitt Benckiser plc, UK - Payable for technical services fee	20.2.2.1	254,851,766	144,219,016
		<b>254,851,766</b>	<b>144,219,016</b>

**20.2.2.1 Payable for technical services fee**

Balance as at 1 January		144,219,016	255,102,823
Charge for the year @ 5% of net turnover		166,330,766	144,219,016
Write back of unapproved portion of technical services fee		(55,698,016)	(66,282,823)
Net Charge for the year		110,632,750	77,936,193
Paid during the year	20.3	-	(188,820,000)
Balance as at 31 December		<b>254,851,766</b>	<b>144,219,016</b>

**20.3 Paid during the year**

Paid to Reckitt Benckiser plc, UK		-	(141,615,000)
VAT on technical services fee		-	(28,323,000)
AIT on technical services fee		-	(18,882,000)
		-	<b>(188,820,000)</b>

**21. Current tax liabilities**

Balance as at 1 January		70,589,951	64,288,627
Provision made during the year		175,000,000	130,834,000
		245,589,951	195,122,627
Payment made u/s- 64 and 74		(108,191,220)	(93,523,760)
Withholding tax		(31,898,953)	(31,008,916)
Payment made during the year		<b>(140,090,173)</b>	<b>(124,532,676)</b>
Balance as at 31 December		<b>105,499,778</b>	<b>70,589,951</b>

**22. Financial instruments - Fair values and risk management****Accounting classifications and fair values**

The following table shows the carrying amounts and fair values, where applicable, of financial assets and financial liabilities, including their levels in the fair value hierarchy. 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.

31 December 2016 In Taka	Note	Carrying amount				Fair value
		Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	
<b>Financial assets measured at fair value</b>						
Trade and other receivables	14	-	16,411,459	-	-	16,411,459
Cash and cash equivalents	16	-	769,394,334	-	-	769,394,334
		-	<b>785,805,793</b>	-	-	<b>785,805,793</b>
<b>Financial liabilities measured at fair value</b>						
Trade and other payables	20	-	-	-	1,022,878,694	1,022,878,694
		-	-	-	<b>1,022,878,694</b>	<b>1,022,878,694</b>
<b>31 December 2015</b>						
<b>Financial assets measured at fair value</b>						
Trade and other receivables	14	-	11,599,815	-	-	11,599,815
Cash and cash equivalents	16	-	435,316,478	-	-	435,316,478
		-	<b>446,916,293</b>	-	-	<b>446,916,293</b>
<b>Financial liabilities measured at fair value</b>						
Trade and other payables	20	-	-	-	653,045,094	653,045,094
		-	-	-	<b>653,045,094</b>	<b>653,045,094</b>



## 23. Financial risk management

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

### 23.1 Credit risk

Credit risk is the risk of a financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, receivables are grouped according to their risk profile, i.e. their legal status, financial condition, aging profile etc. Trade and other receivables are mainly related to the interest receivables and other fees.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

#### 1) Exposure to credit risk

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

##### i) Financial assets

In Taka	Note	Carrying amount	
		2016	2015
Trade and other receivables	14	16,411,459	11,599,815
Cash and cash equivalents	16	769,394,334	435,316,478
		<b>785,805,793</b>	<b>446,916,293</b>

**ii) Aging of financial assets**

The exposure to credit risk for Trade and other receivables at the end of the reporting year by external and intercompany was:

**Aging of trade and other receivables**

In Taka	Note	Carrying amount	
		2016	2015
Interest receivables	14.1	548,333	3,225,000
Intercompany receivables	14.1.1	516,710	518,276
		<b>1,065,043</b>	<b>3,743,276</b>

a) The aging of interest receivables at the end of the reporting year was:

Past due 30 days	548,333	3,225,000
Past due 31-60 days	-	-
Past due 61-90 days	-	-
Past due 91-180 days	-	-
Past due over 180 days	-	-
	<b>548,333</b>	<b>3,225,000</b>

b) The aging of intercompany receivables at the end of the reporting year was:

Past due 30 days	-	-
Past due 31-60 days	516,710	518,276
Past due 61-90 days	-	-
Past due 91-180 days	-	-
Past due over 180 days	-	-
	<b>516,710</b>	<b>518,276</b>

**iii) Aging of cash and cash equivalents**

The exposure to credit risk for cash and cash equivalents at the end of the reporting year was:

Cash in hand		215,130	100,000
Cash at bank	16.1	769,179,204	435,216,478
Cash and cash equivalents		<b>769,394,334</b>	<b>435,316,478</b>

Cash at bank are demand deposits.

## 23.2 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial asset. 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.

Typically, the company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, based on time line of payment of the financial obligation and accordingly arranging for sufficient liquidity/fund to make the expected payment within due date.

In extreme stressed conditions, the company may get support from the parent company in the form of shareholder's loan/capital contribution.

The followings are the contractual maturities of financial liabilities :

In Taka	Note	Carrying amount	Maturity period	Nominal interest rate	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years
<b>As at 31 December 2016</b>									
Third party trade payables	20	165,087,868	1 month	N/A	(165,087,868)	(165,087,868)	-	-	-
Trade payables due to related parties	20.1	22,608,616	1 month	N/A	(22,608,616)	(22,608,616)	-	-	-
Third party other payables	20.2.1	580,330,444	12 months	N/A	(580,330,444)	(567,388,251)	(12,942,193)	-	-
Intercompany other payables	20.2.2	254,851,766	12 months	N/A	(254,851,766)	-	(254,851,766)	-	-
		<b>1,022,878,694</b>			<b>(1,022,878,694)</b>	<b>(755,084,735)</b>	<b>(267,793,959)</b>	-	-
<b>As at 31 December 2015</b>									
Third party trade payables	20	61,815,730	1 month	N/A	(61,815,730)	(61,815,730)	-	-	-
Trade payables due to related parties	20.1	8,757,770	1 month	N/A	(8,757,770)	(8,757,770)	-	-	-
Third party other payables	20.2.1	438,252,578	12 months	N/A	(438,252,578)	(433,876,735)	(4,375,843)	-	-
Intercompany other payables	20.2.2	144,219,016	12 months	N/A	(144,219,016)	-	(144,219,016)	-	-
		<b>653,045,094</b>			<b>(653,045,094)</b>	<b>(504,450,235)</b>	<b>(148,594,859)</b>	-	-

## 23.3 Market risk

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

## i) Currency risk

The Company is exposed to currency risk on purchases, receivables and technical services fees payable incurred in foreign currencies. The company's foreign currency transactions are denominated in USD, EUR and GBP.

## a) Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

## 31 December 2016

	USD	EUR	GBP
<b>Foreign currency denominated assets</b>			
Trade receivables due from related parties	-	-	-
	-	-	-
<b>Foreign currency denominated liabilities</b>			
Trade payables due to related parties	-	-	-
Other payables	-	-	-
	-	-	-
Net exposure	-	-	-

## 31 December 2015

	USD	EUR	GBP
<b>Foreign currency denominated assets</b>			
Trade receivables due from related parties	6,606	-	-
	<b>6,606</b>	-	-
<b>Foreign currency denominated liabilities</b>			
Trade payables due to related parties	111,627	-	-
Other payables	-	-	1,541,205
	<b>111,627</b>	-	<b>1,541,205</b>
Net exposure	<b>(105,021)</b>	-	<b>(1,541,205)</b>



## b) The following significant exchange rates have been applied during the year.

	2016	2015
<b>Average rate</b>		
USD	78.45	78.07
EUR	86.85	86.63
GBP	106.33	119.33
<b>Year end spot rate</b>		
USD	78.72	78.46
EUR	82.81	85.19
GBP	97.14	115.61

## ii) Market risk-interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. All payables of the company are interest free. Therefore no interest rate risk arises for the company as at 31 December 2016.

## 24. Related parties

## A. Parent and ultimate controlling party

Reckitt Benckiser plc, UK has 82.96% shareholding of the company. As a result, the parent and ultimate controlling party of the company is Reckitt Benckiser plc, UK.

## B. Transactions with key management personnel

## i) Key management personnel compensation

Key management personnel compensation comprised the following.

In Taka	2016		2015	
	Managing Director	Directors and managers	Managing Director	Directors and managers
Remuneration, bonus and other benefits	54,299,261	182,777,679	31,289,173	157,170,309
Housing				
Rental	-	53,026,234	-	41,297,282
Leave passage	-	5,977,280	-	4,013,385
Medical	-	2,069,350	-	1,124,926
<b>Short-term employee benefits</b>	<b>54,299,261</b>	<b>243,850,543</b>	<b>31,289,173</b>	<b>203,605,902</b>
Gratuity provision	-	16,281,465	-	12,250,283
Provident fund	-	9,149,161	-	6,048,786
<b>Post-employment benefits</b>	<b>-</b>	<b>25,430,626</b>	<b>-</b>	<b>18,299,069</b>
	<b>54,299,261</b>	<b>269,281,169</b>	<b>31,289,173</b>	<b>221,904,971</b>
Number	1	80	1	81

Compensation for Reckitt's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan and provident fund. These expenses are included in operating expenses.

Managing director and certain managers are provided with Company's car, subject to certain limit.

## C. Other related party transactions

In Taka	Transaction values for the year		Balance outstanding as at 31 December	
	2016	2015	2016	2015
<b>Transaction with parent company</b>				
<b>Technical services fee</b>				
Parent of the company - Reckitt Benckiser plc, UK	110,632,750	77,936,193	254,851,766	144,219,016
<b>Dividend paid</b>				
Parent of the company - Reckitt Benckiser plc, UK	215,595,490	235,195,080	-	-
	<b>326,228,240</b>	<b>313,131,273</b>	<b>254,851,766</b>	<b>144,219,016</b>
<b>Intercompany payables</b>				
<b>Import of raw materials and finished products</b>				
Reckitt Benckiser (India) Ltd.	33,640,936	63,533,031	22,607,560	2,645,215
Reckitt Benckiser France	-	1,035,246	-	-
Reckitt Benckiser (Malaysia) Sdn Bhd	2,848,280	12,662,962	-	3,104,849
Reckitt Benckiser Group Plc	4,232,970	3,219,046	-	-
Reckitt Benckiser (Lanka) Limited	-	1,005,295	-	478,578
Reckitt Benckiser Production (Poland) Sp.	-	660,973	-	-
Reckitt Benckiser Healthcare India	-	2,183,924	1,056	2,183,924
PT.Reckitt Benckiser Indonesia	-	247,788	-	-
LRC Products Ltd. UK	3325791	3232480.84	-	-
SSL Manufacturing (Thailand) Ltd.	842,035	1,939,288	-	345,204
	<b>44,890,012</b>	<b>89,720,034</b>	<b>22,608,616</b>	<b>8,757,770</b>
<b>Intercompany receivables</b>				
Reckitt Benckiser (Lanka) Limited	-	525,428	-	-
	-	<b>525,428</b>	-	-
<b>Processing fees of internal transfer of employees</b>				
PT Reckitt Benckiser Indonesia	-	247,788	-	-
Reckitt Benckiser (Thailand) Limited	-	7,402	-	-
Reckitt Benckiser (Singapore) Pte Ltd.	-	-	-	-
<b>Systems support services</b>				
Reckitt Benckiser Corporate Services Ltd.	2,082,091	2,523,545	516,710	518,276
	<b>2,082,091</b>	<b>2,778,735</b>	<b>516,710</b>	<b>518,276</b>

**25. Operating leases**

See accounting policy in Note 31(m)

**A. Leases as lessee**

The company leases a number of warehouses, house and office facilities under operating leases. The leases typically run for a period of 1-5 years, with an option to renew after that date.

During the year an amount of Taka 21,590,009 (in 2015 BDT 21,311,315) was recognised as an expense in profit or loss in respect of operating leases.

**i) Future minimum lease payments**

At 31 December, the future minimum lease payments under non-cancellable leases were receivable as follows.

In Taka	2016	2015
Less than one year	28,355,385	24,687,141
Between two and five years	46,903,950	56,492,590
More than five years	-	-
	<b>75,259,335</b>	<b>81,179,730</b>

**ii) Amounts recognized in profit or loss**

In Taka	Note	2016	2015
Lease expense		21,590,009	21,311,315
Contingent rent expense		-	-
Sub-lease income		-	-

**26. Commitments**

At 31 December, there were some outstanding purchase orders for the company for capital expenditures.

**A. Capital expenditure commitment**

In Taka	2016	2015
Financial expenditures - outstanding purchase orders	68,367,600	28,754,000
	<b>68,367,600</b>	<b>28,754,000</b>

**27. Contingencies**

There are contingent liabilities of Taka 94,409,945 (in 2015 Taka 46,386,984) on account of bank guarantees, acceptance trust receipt under letter of credit and Taka 167,657,945 (in 2015 Taka 55,158,359) on account of ordinary letter of credit issued by Standard Chartered Bank in favour of the company.

Out of Taka 94,409,945, Taka 6,830,695 for bank guarantees (in 2015 Taka 5,444,704) and Taka 4,693,752 for performance bond guarantees (in 2015 Taka 3,053,553) on behalf of Reckitt Benckiser (Bangladesh) Limited.

There is a documentary credit of Taka 37,299,261 and no import bills/bills receivable (in 2015, Bills receivable: Taka 3,172,932 and documentary credit: Taka 13,997,767) have been issued by HSBC on behalf of Reckitt Benckiser (Bangladesh) Limited.

There is no contingent liabilities with Citibank, N.A (in 2015 Taka 8,266,835 on account of letter of credit issued by Citibank, N.A in favour of the company).

In Taka	2016	2015
Guarantees issued by the Company's scheduled bankers to third parties on counter - indemnities given by the Company	11,524,447	8,498,257
Irrevocable letter of credit opened by the scheduled banks net of on account payment	287,842,704	118,484,621
	<b>299,367,151</b>	<b>126,982,878</b>

**28. Subsequent events**

For the year 2016, the Board of Directors recommended a final dividend of Taka 37.50 per share amounting to Taka 177,187,500 at the board meeting held on 30 April 2017.

**29. Number of employees**

The company employed 171 (in 2015 employee number was 171) permanent employees and a varying number of casual and temporary employees as required. All permanent employees receive total remuneration in excess of Taka 36,000 per annum.



**30. Basis of measurement**

The financial statements have been prepared on the historical cost basis.

**31. Significant accounting policies**

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

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

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**(a) Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year which is adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Foreign currency differences arising on retranslation are recognised in the profit or loss.

**(b) Revenue recognition**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, Value Added Tax and traders' and distributors' margin.

Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably in compliance with the requirements of BAS 18 Revenue.

**(c) Employee benefits**

**(i) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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 contribution plans (provident plan)**

The Company operates a post employment benefit plan under which the Company pays fixed contribution to a recognised provident fund and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the recognised provident fund are recognised in profit or loss in the period during which related services are rendered by employees.

**(iii) Defined benefit plans (gratuity)**

The Company's net obligation in respect of defined plans is calculated separately for each plan by estimating benefit that employees have earned in the current period, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation was performed this year by a qualified actuarial firm using the Projected Unit Credit (PUC) method to assess the Plan's liabilities. All actuarial gains and losses are recognized immediately in the retained earnings through an account known as the Other Comprehensive Income and Expenses. The actuarial calculations was performed according to BAS 19 - Employee benefits (revision 2011). The company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset) taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

**(iv) Workers' Profit Participation Fund**

Workers' Profit Participation Fund (the "WPPF") also qualifies as defined contribution plan. The Company is required to provide 5% of net profit before tax after charging such expense in accordance with Bangladesh Labour Act 2006 (amended in 2013).

**(d) Finance income**

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

**(e) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to 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 current tax expenses has been made on the basis of Income Tax Ordinance 1984 (as amended up to date).

**(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying 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 at 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.

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.

**(f) Share capital**

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

Paid up share capital represents total amount contributed by the shareholders and bonus shares 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.