Reckitt Benckiser (Bangladesh) Limited

Report and financial statements as at and for the year ended 31 December 2018

KPMG

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Independent auditor's report

To the Shareholders of Reckitt Benckiser (Bangladesh) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reckitt Benckiser (Bangladesh) Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition - sales of goods	
See Note 7 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
Revenue recognition has significant and wide influence on financial statements. Revenue is recognised when the amounts and the related costs are reliably measured, and the performance obligation is complete through passing of control to the customers. Revenue from the sale of goods is recognised when the Company has delivered products to the customers at the shipping point and control has passed. The sales of the Compnay are derived from a large number of distributors which locate over the country with relatively small amount transactions. As a result, to obtain sufficient audit evidence, magnitude audit work and resource is required. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Company and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	Our audit procedures in this area included, among others: - We understood, evaluated and validated the key controls related to the Company's sales process from end to end, from contracts approval and sign-off, recording of sales, all the way through cash receipts and customers' outstanding balances. - We tested the completeness of journal entries compared to financial statements; as well as if there any exception existed that the debit accounts of sales recognition were not related to cash and bank, trade receivable or advances from customers. - We conducted substantive testing of revenue recorded over the year using sampling techniques, by examining the relevant supporting documents including sales invoices and truck challans. In addition, we confirmed certain customers' receivable balances at the balance sheet date, selected on a sample basis by considering the amounts outstanding with those customers.

Rahman Rahman Huq, a partnership firm registered in Bangladesh and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

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Independent auditor's report (continued)

<table>
<tr><td colspan="2">Revenue recognition - sales of goods (continued)</td></tr>
<tr><td colspan="2">See Note 7 to the financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>We focused on the proper cut-off of sales to the Company customers due to the fact that the documents of confirming the acceptance of the products were provided by numerous customers based in different locations. There is a risk of differences between the timing of acceptance of the products by the Company customers and when revenue was recorded. Accordingly, there could be potential misstatements that these revenue transactions are not recognised in the proper reporting periods.</td><td>- Furthermore, we tested the sales transactions recognized shortly before and after the balance sheet date, including the sales returns recorded after that date, to examine whether sales transactions were recorded in the correct reporting periods.</td></tr>
<tr><td colspan="2">Recognition of deferred tax assets</td></tr>
<tr><td colspan="2">See Note14(D) to the financial statements</td></tr>
<tr><td>The Company has recognised deferred tax assets for deductible temporary differences that it believes are recoverable.

The recoverability of recognised deferred tax assets is in part dependent on the Company's ability to generate future taxable profits sufficient to utilise deductible temporary differences.

We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.</td><td>Our audit procedures in this area included, among others:

- using our own tax specialists to evaluate the tax strategies that the Company expects will enable the successful recovery of the recognised deferred tax assets taking into account the Company's tax position and our knowledge and experience of the application of relevant tax legislation;

- assessing and evaluating the prospective profits by evaluating historical and projected growth rates to assume that it will be sufficient to recover deductible temporary differences; and

- evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.</td></tr>
<tr><td colspan="2">Tax provisioning</td></tr>
<tr><td colspan="2">See Note 14 to the financial statements</td></tr>
<tr><td>At year end the Company reported total income tax expense of BDT 193 million. The calculation of the tax expense is a complex process that involves subjective judgments and uncertainties, and requires specific knowledge and competencies.</td><td>In this area our audit procedures included:

- use of our own local tax specialists to assess the Company's tax computation;

- to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the local legislation.

- considering the adequacy of the Company's disclosures in respect of tax.</td></tr>
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Independent auditor's report (continued)

Valuation of inventory	
See Note 17 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
Inventory is carried in the Financial Statements at the lower of cost and net realisable value. Sales in the manufacturing industry can be extremely volatile based on significant changes in consumer demand. As a result there is a risk that the carrying value of inventory exceeds its net realisable value.	Our audit procedures were designed to challenge the adequacy of the Company's provisions against inventory included: - corroborating on a sample basis that items on the stock ageing listing by items were classified in the appropriate ageing bracket; - assessing the appropriateness of the provision percentages applied to each item and challenged the assumptions made by the Directors on the extent to which old inventory can be sold through various channels; - considering the historical accuracy of provisioning and using the information obtained as evidence for evaluating the appropriateness of the assumptions made in the current year; and - we have also considered the adequacy of the Company's disclosures in respect of the levels of provisions against inventory.
Employee benefits	
See Note 22 to the financial statements	
The Company maintain defined benefit obligation. At 31 December 2018, the Company recorded net defined benefit obligation of BDT 99 million out of which BDT 95 million is in non-current liabilities and BDT 4 million is in current liabilities. Key assumptions applied under IAS 19 have a significant impact on the defined benefit obligations, pension costs incurred and equity. The accounting requires the company to make assumptions regarding parameters such as the discount rate, the rate of benefit increase and future mortality rates.	Our audit procedures included, amongst others: - evaluating the assumptions and the methodologies used by the company; - testing the disclosure of the employee benefits- gratuity as per IAS 19; and - the impact of IAS 19 on the statement of financial position and statement of profit or loss and other comprehensive income has been disclosed appropriately.
Litigation and contingent liabilities	
See Note 32 to the financial statements	
In the normal course of business, potential exposures may arise from general legal proceedings, product liability, guarantees, government investigations and environmental issues. Whether there is a liability which is inherently uncertain, the amounts involved are potentially significant and the application of accounting standards to determine the amount, if any, to be provided as a liability, is inherently subjective.	Our audit procedures included, on all significant legal cases: - assessing of correspondence with the Company's external counsel accompanied by discussion and formal confirmations from that counsel. - analysing correspondence with regulators, and monitored external sources of information. - assessing whether the Company's disclosures detailing significant legal proceedings adequately disclose the potential liabilities of the Company.

Independent auditor's report (continued)

Other Matter
The financial statements of the Company for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 30 April 2018.

Other Information
Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

Independent auditor's report (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) we have obtained all the information and explanation 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;

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

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

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

Rahman Rahman Huq
Dhaka, 15 April 2019

Rahman Rahman Huq

Reckitt Benckiser (Bangladesh) Limited
Statement of financial position

In Taka	*Note*	31 December 2018	31 December 2017
Assets			
Property, plant and equipment	*16*	**413,497,375**	334,101,173
Deferred tax assets	*14(D)*	**15,190,498**	17,706,037
Non-current assets		**428,687,873**	351,807,210
Inventories	*17*	**301,129,697**	274,725,678
Trade and other receivables	*18*	**84,863,618**	130,441,911
Advances, deposits and prepayments	*19*	**47,754,330**	66,362,936
Cash and cash equivalents	*20*	**949,871,155**	714,326,806
Current assets		**1,383,618,800**	1,185,857,331
Total assets		**1,812,306,673**	1,537,664,541
Equity			
Share capital	*21*	**47,250,000**	47,250,000
Retained earnings		**338,428,187**	256,464,942
Total equity		**385,678,187**	303,714,942
Liabilities			
Employee benefits - gratuity	*22(A)*	**95,320,000**	87,820,000
Non-current liabilities		**95,320,000**	87,820,000
Trade and other payables	*23*	**1,196,913,294**	1,053,308,281
Employee benefits - gratuity	*22(A)*	**3,760,000**	3,660,000
Current tax liabilities	*24*	**130,635,192**	89,161,318
Current liabilities		**1,331,308,486**	1,146,129,599
Total liabilities		**1,426,628,486**	1,233,949,599
Total equity and liabilities		**1,812,306,673**	1,537,664,541

The notes on pages 10 to 50 are an integral part of these financial statements.

Salahuddin Mahmud	**Sourav Mitra**	**Vishal Gupta**	**Md. Nazmul Arefin**
Director	Director & Chief Financial Officer	Managing Director	Company Secretary

As per our report of same date.

Rahman Rahman Huq

Auditor

Rahman Rahman Huq
Chartered Accountants
KPMG in Bangladesh

Dhaka, 15 April 2019

Reckitt Benckiser (Bangladesh) Limited

Statement of profit or loss and other comprehensive income

For the year ended 31 December

In Taka	**Note**	**2018**	**2017**
Revenue	7	**3,893,024,596**	3,669,620,066
Cost of sales	8	**(1,755,638,024)**	(1,714,693,581)
Gross profit		**2,137,386,572**	1,954,926,485
Other income	9	**3,853,354**	2,036,479
Net operating expenses	10	**(1,611,421,261)**	(1,397,446,823)
Impairment loss reversal on trade receivables	18(A)(i)	**699,211**	-
Profit from operation		**530,517,876**	559,516,141
Finance income	11	**21,409,314**	10,423,783
Profit before contribution to WPPF		**551,927,190**	569,939,924
Contribution to WPPF	13	**(26,282,247)**	(27,139,996)
Profit before tax		**525,644,943**	542,799,928
Income tax expense	14	**(193,871,698)**	(161,802,151)
Profit for the year		**331,773,245**	380,997,777
Other comprehensive income/(loss)	15	**(6,472,500)**	(6,517,500)
Total comprehensive income		**325,300,745**	374,480,277
Earnings per share			
Basic earnings per share (Taka)	12	**70.22**	80.63

The notes on pages 10 to 50 are an integral part of these financial statements.

Salahuddin Mahmud Director	**Sourav Mitra** Director & Chief Financial Officer	Vishal Gupto **Vishal Gupta** Managing Director	**Md. Nazmul Arefin** Company Secretary

As per our report of same date.

Rahman Rahman Huq

Auditor

Rahman Rahman Huq
Chartered Accountants
KPMG in Bangladesh

Dhaka, 15 April 2019

Reckitt Benckiser (Bangladesh) Limited
Statement of changes in equity

For the year ended 31 December 2018 *In Taka*	Share capital	Retained earnings	Total
Balance as at 1 January 2017	47,250,000	189,109,665	236,359,665
Total comprehensive income for the year			
Profit for the year 2017		380,997,777	380,997,777
Other comprehensive income for the year		(6,517,500)	(6,517,500)
Total comprehensive income for the year		374,480,277	374,480,277
Transactions with owners of the Company			
Contributions and distributions			
Final dividend for the year 2016		(177,187,500)	(177,187,500)
Interim dividend for the year 2017		(129,937,500)	(129,937,500)
Total transactions with owners of the Company		(307,125,000)	(307,125,000)
Balance as at 31 December 2017	47,250,000	256,464,942	303,714,942
Balance as at 1 January 2018	**47,250,000**	**256,464,942**	**303,714,942**
Total comprehensive income for the year			
Profit for the year 2018		**331,773,245**	**331,773,245**
Other comprehensive income for the year		**(6,472,500)**	**(6,472,500)**
Total comprehensive income for the year		**325,300,745**	**325,300,745**
Transactions with owners of the Company			
Contributions and distributions			
Final dividend for the year 2017		**(243,337,500)**	**(243,337,500)**
Total transactions with owners of the Company		**(243,337,500)**	**(243,337,500)**
Balance as at 31 December 2018	**47,250,000**	**338,428,187**	**385,678,187**

The notes on pages 10 to 50 are an integral part of these financial statements.

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Reckitt Benckiser (Bangladesh) Limited
Statement of cash flows

For the year ended 31 December

In Taka	*Note*	2018	2017
Cash flows from operating activities			
Receipts from customers		**4,059,529,689**	3,663,942,684
Payment to suppliers, employees and others		**(3,203,341,849)**	(2,964,726,537)
Payment for technical services fee	*23(B)(ii)(a)(a.1)*	**(97,917,000)**	(88,521,000)
Cash generated from operating activities		**758,270,840**	610,695,147
Income tax paid	*24*	**(147,724,785)**	(169,513,647)
Net cash from operating activities	*30*	**610,546,055**	441,181,500
Cash flows from investing activities			
Purchase of property, plant and equipment		**(157,682,875)**	(202,765,266)
Proceeds from disposal of property, plant and equipment		**4,212,400**	2,038,706
Income from investment during the year		**22,207,228**	9,645,033
Net cash used in investing activities		**(131,263,247)**	(191,081,527)
Cash flows from financing activities			
Dividend paid		**(243,738,459)**	(305,167,501)
Net cash used in financing activities		**(243,738,459)**	(305,167,501)
Net (decrease)/increase in cash and cash equivalents		**235,544,349**	(55,067,528)
Cash and cash equivalents at 1 January		**714,326,806**	769,394,334
Cash and cash equivalents at 31 December		**949,871,155**	714,326,806

The notes on pages 10 to 50 are an integral part of these financial statements.

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1. Reporting entity

Reckitt Benckiser (Bangladesh) Limited (the 'Company') was incorporated on 15 April 1961 in erstwhile East Pakistan (became independent in 1971 as Bangladesh) under the Companies Act 1913 (as amended in 1994) as "Robinson's Foods (Pakistan) Limited". The name of the Company was changed to "Robinson's Foods (Bangladesh) Limited" under a special resolution on 24 August 1972. In 20 March 1986 in an extra-ordinary general meeting the name of the Company was again changed to Reckitt & Colman Bangladesh Limited. Finally, after the merger with Benckiser, in accordance with parent company, the name of the Company was again changed to Reckitt Benckiser (Bangladesh) Limited, under an extra-ordinary general meeting held on 9 November 2000. It is a public limited company and its shares are listed on Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

The address of the Company's registered office is 58/59 Nasirabad Industrial Area, Chittagong.

The Company is engaged in manufacturing and marketing of household and toiletries, pharmaceuticals and food products.

2. Statement of compliance and basis of preparation

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

As the FRS is yet to be issued by FRC hence as per the provisions of the FRA (section-69), the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Companies Act, 1994. The title and format of these financial statements follow the requirements of IFRSs which are to some extent different from the requirement of the Companies Act, 1994. However, such differences are not material and in the view of management, IFRS format gives a better presentation to the shareholders.

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

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

Details of the Company's accounting policies, including changes during the year, if any, are included in Notes 40.

These financial statements are authorised for issue by the Company's board of directors on 15 April 2019.

3. Functional and presentational currency

These financial statements are presented in Taka/Tk./BDT, which is the Company's functional currency. All amounts have been rounded to the nearest taka, unless otherwise indicated.

4. Uses of judgements and estimates

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

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

A. Judgements

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

- Note 27: Operating lease

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2018 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 22(B) - measurement of defined benfit obligations: key actuarial assumptions;
- Note 14(D) - recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used;
- Note 17 - inventories;
- Note 24 - current tax liabilities;
- Note 40(H) - useful life of property, plant and equipment.

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5. Changes in significant accounting policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The Company has initially adopted IFRS 15 *Revenue from Contracts* with Customers (see A) and IFRS 9 *Financial Instruments* (see B) from 1 January 2018.

There is no impact on financial statements on initial apply of the standards. (see A and B below)

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

The Company has adopted IFRS 15 *Revenue from Contracts with Customers* retrospectively to each prior period presented in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* from 1 January 2018. The adoption of this standard had no impact on the Company's financial statements.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in other expenses. Consequently, the Company reclassified impairment losses amounting to Taka 699 thousand 'impairment loss reversal on trade receivables' in the statement of profit or loss and OCI for the year ended 31 December 2018.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

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5. **Changes in significant accounting policies (continued)**

B. **IFRS 9 Financial Instruments (continued)**

i. Classification and measurement of financial assets and financial liabilities (continued)

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

In taka	*Note*	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Financial assets					
Trade and other receivables		Loans and receivables	Amortised cost	130,441,911	130,441,911
Cash and cash equivalents		Loans and receivables	Amortised cost	714,326,806	714,326,806
Total financial assets				844,768,717	844,768,717
Financial liabilities					
Trade and other payables		Other financial liabilities	Other financial liabilities	1,053,308,281	1,053,308,281
				1,053,308,281	1,053,308,281

a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. No material impact to the primary financial statements has arisen on the adoption of IFRS 9 and the Company has not restated prior periods on adoption of IFRS 9.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

In Taka	**IAS 39 carrying amount at 31 December 2017**	**Remeasurement**	**IFRS 9 carrying amount at 1 January 2018**
Financial Assets			
Trade and other receivables			
Brought forward: Loans and receivables	130,441,911		
Remeasurement		-	
Carried forward: Amortised cost			130,441,911
Cash and cash equivalents			
Brought forward: Loans and receivables	714,326,806		
Remeasurement		-	
Carried forward: Amortised cost			714,326,806
Total amortised cost	844,768,717	-	844,768,717

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 40(K)(i).

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. Credit risk is minimised due to the quality and short-term nature of the Company's trade receivables as well as the fact that the exposure is spread over a large number of customers.

As detailed in note 5, no material impact to the primary financial statements has arisen on the adoption of IFRS 9 and the Company has not restated prior periods on adoption of IFRS 9. The movements in the expected loss allowance are analysed as follows:

In Taka	**2018**
At 1 January	1,541,209
Charged to the income statement	(699,211)
Amounts written off during the year	-
At 31 December	841,998

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6. Operating segments

A. Basis for segmentation

The Company has following two strategic divisions, which are its reportable segments. These divisions offer different products and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Household and toiletries	Manufacturing and trading of hygiene and home care products.
Pharmaceuticals	Trading of health care products.

These two reportable segments are the strategic business units of the company and are managed separately based on the Company's management and internal reporting structure. For each of the strategic business units, the management committee reviews internal management report on at least a monthly basis. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Company's Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

B. Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

2018	**Reportable segments**		
In taka	**Household and toiletries**	**Pharmaceuticals**	**Total**
Revenue	**3,581,332,097**	**311,692,499**	**3,893,024,596**
Cost of sales	**(1,603,843,978)**	**(151,794,046)**	**(1,755,638,024)**
Gross profit	**1,977,488,119**	**159,898,453**	**2,137,386,572**
Operating expenses			
Administrative expenses	**(200,812,463)**	**(15,943,954)**	**(216,756,417)**
Marketing expenses	**(844,636,060)**	**(73,016,504)**	**(917,652,564)**
Selling and distribution expenses	**(262,396,577)**	**(19,964,473)**	**(282,361,050)**
Impairment loss reversal on trade receivables	**649,773**	**49,438**	**699,211**
	(1,307,195,327)	**(108,875,493)**	**(1,416,070,820)**
Profit from operation	**670,292,792**	**51,022,960**	**721,315,752**

2017	**Reportable segments**		
In Taka	**Household and toiletries**	**Pharmaceuticals**	**Total**
Revenue	3,418,611,868	251,008,198	3,669,620,066
Cost of sales	(1,589,863,210)	(124,830,371)	(1,714,693,581)
Gross profit	1,828,748,658	126,177,827	1,954,926,485
Operating expenses			
Administrative expenses	(174,484,535)	(12,811,354)	(187,295,889)
Marketing expenses	(800,837,658)	(58,800,713)	(859,638,371)
Selling and distribution expenses	(219,340,469)	(16,104,857)	(235,445,326)
	(1,194,662,662)	(87,716,924)	(1,282,379,586)
Profit from operation	**634,085,996**	**38,460,903**	**672,546,899**

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6. Operating segments (continued)
C. Reconciliation of information on reportable segments to IFRS measures

In Taka	*Note*	2018	2017
Total revenue for reportable segments	6(B)	**3,893,024,596**	3,669,620,066
Revenue for other segments		-	-
Elimination of inter-segment revenue		-	-
Total revenue		**3,893,024,596**	**3,669,620,066**
ii. Profit before tax			
Total profit before tax for reportable segments	6(B)	**721,315,752**	672,546,899
Profit before tax for other segments		-	-
Elimination of inter-segment profit		-	-
Amount not related to reported segments		**(195,670,809)**	(129,746,971)
Total profit before tax		**525,644,943**	**542,799,928**
iii. Amount not related to reportable segments			
Other income	9	**3,853,354**	2,036,479
Technical services fee	10	**(194,651,230)**	(115,067,237)
Finance income	11	**21,409,314**	10,423,783
Contribution to Workers' Profit Participation Fund	13	**(26,282,247)**	(27,139,996)
		(195,670,809)	**(129,746,971)**

Considering the current size and operations of the Company, segmental assets and liabilities are not considered to be critical for regular review by the management.

Accordingly no disclosure is made regarding the segmental assets and liabilities.

7. Revenue
See accounting policy in Note 40(B)

In Taka		For the year ended 31 December 2018	2017
Revenue including VAT		**4,497,433,981**	4,240,847,226
VAT		**(604,409,385)**	(571,227,160)
	7(A)	**3,893,024,596**	3,669,620,066

A. Disaggregation of revenue

Taka/Qty	Unit of measurement	2018 Quantity	2018 Amount	2017 Quantity	2017 Amount
Household & toiletries	Cases	**2,032,921**	**3,581,332,097**	2,079,593	3,418,611,868
Pharmaceuticals	Cases	**161,794**	**311,692,499**	133,048	251,008,198
		2,194,714	**3,893,024,596**	2,212,642	3,669,620,066

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8. Cost of sales

In Taka	*Note*	For the year ended 31 December 2018	2017
Manufacturing unit			
Opening balance of raw and packing materials		**186,250,504**	157,040,517
Purchases during the year		**1,148,608,963**	632,761,748
Closing balance of raw and packing materials	*17*	**(174,816,109)**	(186,250,504)
Materials consumed		**1,160,043,358**	603,551,761
Salaries, wages and welfare expenses		**183,934,294**	157,820,904
Product testing and laboratory expenses		**2,104,329**	4,006,252
Exchange (gain)/loss		**4,831,212**	-
Travelling and conveyance		**2,927,281**	3,689,660
Power, fuel and utilities		**21,202,486**	15,248,736
Vehicle expenses		**84,305**	43,926
Repairs, maintenance and others		**42,550,681**	20,555,458
Rent, rates and taxes		**3,394,248**	4,087,607
Printing, stationery and office supplies		**2,711,019**	1,360,254
Insurance		**3,753,537**	3,676,915
Office expenses		**4,386,516**	7,960,618
Depreciation	*16(B)*	**61,488,731**	39,577,400
Manufacturing overhead		**333,368,639**	258,027,730
Opening stock of work-in-progress		**3,472,103**	6,641,219
Closing stock of work-in-progress	*17*	**(1,355,345)**	(3,472,103)
		2,116,758	3,169,116
Cost of production		**1,495,528,755**	864,748,607
Opening stock of own manufactured finished goods		**39,101,746**	62,471,684
Closing stock of own manufactured finished goods		**(61,796,301)**	(39,101,746)
Cost of sales-manufacturing unit		**1,472,834,200**	888,118,545
Trading unit			
Opening stock of finished goods		**17,748,718**	22,851,736
Purchase of finished goods		**317,210,909**	821,472,018
Closing stock of finished goods		**(52,155,803)**	(17,748,718)
Cost of sales - trading unit		**282,803,824**	826,575,036
Total cost of sales		**1,755,638,024**	1,714,693,581

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8. Cost of sales (continued)

A. Cost of sales - trading unit

In Taka	Unit of measurement	Opening stock		Purchase		Closing stock		Cost of sales - trading unit	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Household & toiletries	Metric Ton	23	10,064,377	494	260,214,244	48.54	41,690,276	468	228,588,345
	Thousand Litre	7	1,498,290	16	8,253,905	0.49	395,067	23	9,357,128
	Million No.	-	-	0.136	2,654,835	0.04	2,042,379	0	612,456
Pharmaceuticals	Million No.	4	2,562,732	11	9,092,884	3	2,445,587	12	9,210,029
	Thousand Litre	15.14	3,623,319	116	36,995,041	14.85	5,582,494	116	35,035,866
	Metric Ton	-	-	-	-	-	-	-	-
Total for the year 2018			**17,748,718**		**317,210,909**		**52,155,803**		**282,803,824**
Total for the year 2017			22,851,736		821,472,018		17,748,718		826,575,036

B. Raw and packing materials consumed

	Unit of measurement	Opening stock		Purchase		Closing stock		Consumption	
		Quantity	Cost	Quantity	Cost	Quantity	Cost	Quantity	Cost
Various Raw Material	Metric Ton	1,473	159,746,315	10,195	757,274,896	1,269	147,081,721	10,307	769,939,490
Blow Moulding & Injection	Thousand Pcs	3,071	11,640,102	39,042	180,275,522	2,157	8,556,830	39,652	183,358,794
Boxes solid board & Corrugated	Thousand Pcs	3,335	5,334,910	57,541	122,835,215	3,353	7,181,929	56,255	120,988,197
Others		12,865	9,529,177	70,255	88,223,330	7,481	11,995,629	69,961	85,756,877
Total for the year 2018		**20,744**	**186,250,504**	**177,033**	**1,148,608,963**	**14,260**	**174,816,109**	**176,175**	**1,160,043,358**
Total for the year 2017			157,040,517		632,761,748		186,250,504		603,551,761

C. Percentage of raw materials and packing materials consumed

In Taka	Note	2018		2017	
		%	Amount	%	Amount
Raw materials	8(D)	66%	769,939,490	51%	306,250,027
Packing materials	8(D)	34%	390,103,868	49%	297,301,734
		100%	1,160,043,358	100%	603,551,761
Local materials consumed		33%	386,472,012	47%	284,277,030
Imported materials consumed		67%	773,571,346	53%	319,274,731
		100%	1,160,043,358	100%	603,551,761

8. Cost of sales (continued)

D. Analysis of material consumed

In Taka	*Note*	For the year ended 31 December 2018	2017
Raw material			
Soap Noodles		**444,426,444**	55,581,455
BIS/2 Hydroxy Ethyl Oleylamine		**45,670,201**	46,127,683
Cetyl Trimethyl Amm. Chloride		**36,395,351**	35,811,636
Pine Oil 85%min BP		**44,047,581**	30,957,646
PCMX		**30,451,975**	24,545,885
Hydrochloric acid		**19,962,068**	17,033,777
Snowfresh 228093 D		**17,452,705**	1,849,326
Frosty Int		**3,293,605**	465,286
LABSA		**15,191,906**	9,400,159
Climbazole		**6,319,392**	-
Color Pigment Yelow		**3,530,487**	3,813,770
Granular Soda Dyed		**4,766,982**	5,074,292
Galaxy MW 257		**7,682,429**	5,882,474
CX-140		**6,955,628**	7,651,799
Texapon Als IS T		**7,773,393**	4,810,079
Isopropyl Alcohol		**7,352,340**	5,582,759
Na Lauryl Ether		**7,247,567**	4,988,189
Castor Oil		**5,065,936**	4,210,286
Pamplozest		**4,914,779**	3,655,128
Perfume jasmina		**473,504**	1,276,681
Esbiothrin TG		**-**	5,685,901
Tamarind powder		**-**	869,927
Phenol crystal		**-**	12,021
Others		**50,965,217**	30,963,868
		769,939,490	306,250,027
Packing material			
Skillet		**77,600,534**	17,188,692
Outer and cartons		**43,387,662**	39,686,954
Plastic container		**160,201,982**	156,098,785
Coil stand		**-**	1,224,747
Label		**44,881,589**	35,645,802
Polybag /HDPE		**27,460,050**	8,580,212
Cap		**23,156,811**	22,212,933
Others		**13,415,240**	16,663,609
		390,103,868	297,301,734
		1,160,043,358	603,551,761

E. Value of imports - at cost and freight basis

Raw and packing materials and finished goods for re-sale		**739,210,589**	740,559,763
Capital goods		**91,586,253**	117,110,322
		830,796,842	857,670,085

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8. Cost of sales (continued)
F. Statement of production

i. Own manufacture

Line of business	Unit of measurement	Installed capacity shift single basis	Multiple shifts as applicable 2018	2017	Percentage increase/ (decrease)
Household & toiletries	Thousand Litre	5,730	**6,688**	6,688	0%
	Million No.	410	**202**	202	0%
	Metric Ton	3,360	**10,080**	10,080	0%
Pharmaceuticals	Million Tablets	32	**-**	32	-100%
	Thousand Litre	220	**323**	323	0%
Total	Million Tablets	32	**33**	33	0%
	Metric Ton	3,360	**10,080**	10,080	0%
	Thousand Litre	5,950	**7,011**	7,011	0%
	Million No.	410	**202**	202	0%

* Disprin manufacturing plant was discontinued in 2018.

ii. Joint venture manufactures - including imports for re-sale

Household	Million No.	**10**	10	0%
	Metric Ton	**-**	5,194	(100.00)
	Thousand Litre	**569**	569	0%
Total	Million No.	**10**	10	0%
	Metric Ton	**-**	5,194	-100%
	Thousand Litre	**569**	569	0%

Reckitt Benckiser (Bangldesh) Limited started it's own manufacturing of Dettol soap from 2018. Earlier, it was used to get manufactured by a contract Packer.

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9. Other (income)/loss

Loss/(profit) on sale of property, plant and equipment	**(3,853,354)**	(2,036,479)
	(3,853,354)	(2,036,479)

10. Net operating expenses

		For the year ended 31 December	
In Taka	***Note***	**2018**	**2017**
Selling and distribution expenses	*10(A)*	**282,361,050**	235,445,326
Administrative expenses	*10(B)*	**216,756,417**	187,295,889
Technical services fees		**194,651,230**	115,067,237
Marketing expenses	*10(C)*	**917,652,564**	859,638,371
		1,611,421,261	1,397,446,823

A. Selling and distribution expenses

Salaries, wages and welfare expenses		**179,197,229**	127,807,039
Carriage outwards		**41,612,947**	48,816,555
Depot expenses		**27,872,948**	22,276,319
Entertainment		**10,445**	12,742
Vehicle expenses		**8,618,998**	8,627,183
Printing and stationery		**854,440**	356,874
Travelling		**16,172,750**	18,385,833
Sales office expenses		**2,094,400**	2,728,908
Insurance		**450,795**	1,212,803
Depreciation	*16(B)*	**5,466,098**	5,173,340
Others		**10,000**	47,730
		282,361,050	235,445,326

B. Administrative expenses

Salaries, wages and welfare expenses		**161,242,632**	134,766,968
Non-executive directors fee		**318,750**	441,250
Trademarks and patents		**72,000**	1,489,618
Communication		**5,706,794**	5,125,204
Vehicle expenses		**1,090,121**	1,124,495
Travelling		**2,299,535**	2,426,997
Corporate office expenses		**19,044,820**	20,624,095
Repairs and maintenance		**5,061,139**	4,634,877
Legal and professional charges	*10(B)(i)*	**11,788,041**	6,589,787
Printing and stationery		**2,732,255**	2,317,236
Subscriptions		**209,550**	333,800
Staff recruitment, training and development expenses		**678,196**	28,405
Entertainment		**86,594**	321,158
AGM expenses		**410,044**	1,174,479
Bank charges		**1,079,326**	983,911
Insurance		**479,882**	237,231
Depreciation	*16(B)*	**4,394,352**	4,576,937
Others		**62,386**	99,441
		216,756,417	187,295,889

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10. Net operating expenses (continued)
B. Administrative expenses (continued)
i. Legal and professional charges

In Taka	*Note*	For the year ended 31 December 2018	2017
Audit related expenses:			
Audit fee		**951,720**	1,299,996
Tax services		**996,300**	988,827
		1,948,020	2,288,823
Legal fees:			
Legal consultancy		**3,484,652**	2,172,163
Other consulting fees		**6,355,369**	2,128,801
		9,840,021	4,300,964
		11,788,041	6,589,787

C. Marketing expenses

Media	**274,427,517**	246,437,734
Consumer marketing	**107,879,698**	104,455,659
Market research	**2,810,634**	3,429,549
Trade marketing	**532,534,715**	505,315,429
	917,652,564	859,638,371

11. Finance income

Interest income	**21,409,314**	10,423,783
	21,409,314	10,423,783

12. Earnings per share

A. Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

i. Profit attributable to ordinary shareholders (basic)

In Taka	*Note*	2018	2017
Net profit after tax for the year, attributable to the owners of the company		**331,773,245**	380,997,777
Profit/(loss) attributable to ordinary shareholders		**331,773,245**	380,997,777

ii. Weighted-average number of ordinary shares (basic)

Issued ordinary shares as at 31 December	*21(A)*	**4,725,000**	4,725,000
Weighted-average number of ordinary shares 31 December		**4,725,000**	4,725,000
Basic earnings per share (EPS)		**70.22**	80.63

Weighted average number of ordinary shares was not changed during the current and prior year.

B. Diluted earnings per share

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during these years.

13. Contribution to WPPF

In Taka	For the year ended 31 December 2018	2017
Profit before contribution to WPPF	**551,927,190**	569,939,924
Applicable contribution rate	**5%**	5%
Amount of contribution to WPPF	**26,282,247**	27,139,996

The Company contributes 5% of the profit before tax after charging such expense as contribution to WPPF.

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14. Income tax expense

See accounting policy in Note 40(E)

A. Amounts recognised in profit or loss

In Taka	*Note*	For the year ended 31 December 2018	2017
Current tax expense			
Current year	*24*	**189,198,659**	153,175,187
Prior years excess provision reversed		**-**	-
		189,198,659	153,175,187
Deferred tax (income)/expense			
Origination/(Reversal) of temporary differences	*14(D)*	**4,673,039**	8,626,964
		4,673,039	8,626,964
Tax expense on continuing operations		**193,871,698**	161,802,151

B. Amounts recognised in OCI

Remeasurements of defined benefit liability (asset)		
Income tax expense presented in Profit or Loss	**-**	-

C. Reconciliation of effective tax rate

In Taka		2018		2017
Profit before tax		**525,644,943**		542,799,928
Income tax using tax rate	***25.00%***	**131,411,236**	25.00%	135,699,982
Factors affecting the tax charge for current period:				
Excess of accounting depreciation over fiscal depreciation	***0.63%***	**3,329,601**	-1.40%	(7,594,546)
Provision for stock obsolescence	***0.00%***	**-**	-0.66%	(3,594,131)
Non deductible expenses	***5.91%***	**31,040,265**	3.19%	17,308,953
Excess of gratuity provision over payment of gratuity	***-0.05%***	**(257,500)**	0.66%	3,607,500
Excess of technical services fee over payment of technical services fee	***7.26%***	**38,140,768**	3.30%	17,910,811
Excess of accounting profit over fiscal tax profit on property, plant and equipment	***-0.14%***	**(714,282)**	0.00%	-
Allowable deductions	***-2.62%***	**(13,751,429)**	-1.87%	(10,163,382)
Required/ (reversal) of prior year's tax provision	***0.00%***	**-**	0.00%	-
Movement of temporary differences: as above	***0.89%***	**4,673,039**	1.99%	10,799,464
	36.88%	**193,871,698**	**30.21%**	**163,974,651**

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14. Income tax expense (continued)

D. Movement in deferred tax balances

2018	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Balance as at 31 December Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	**(12,988,391)**	**(258,323)**	**-**	**(13,246,714)**	**-**	**(13,246,714)**
Employee benefits - gratuity	**22,870,000**	**(257,500)**	**2,157,500**	**24,770,000**	**24,770,000**	**-**
Provision for bad debt allowance	**-**	**210,500**		**210,500**	**210,500**	
Provision for inventory obsolescence	**7,824,428**	**(4,367,716)**	**-**	**3,456,712**	**1,237,655**	**-**
Net deferred tax assets (liabilities)	**17,706,037**	**(4,673,039)**	**2,157,500**	**15,190,498**	**26,218,155**	**(13,246,714)**

2017	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Balance as at 31 December Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	(4,348,058)	(8,640,333)	-	(12,988,391)	-	(12,988,391)
Employee benefits - gratuity	19,262,500	1,435,000	2,172,500	22,870,000	22,870,000	-
Provision for inventory obsolescence	11,418,559	(3,594,131)	-	7,824,428	7,824,428	-
Net deferred tax assets (liabilities)	26,333,001	(10,799,464)	2,172,500	17,706,037	30,694,428	(12,988,391)

15. Other comprehensive income/(loss), net of tax

In Taka	For the year ended 31 December 2018	2017
Remeasurement of defined benefit liability	**8,630,000**	8,690,000
Related tax credit	**(2,157,500)**	(2,172,500)
	6,472,500	6,517,500

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16. Property, plant and equipment

See accounting policy in Note 40(H)

A. Reconciliation of carrying amount

In Taka	Leasehold land	Buildings	Plant and machinery	Furniture fixtures and equipment	Computers	Vehicles	Under construction	Total
Cost								
Balance at 1 January 2017	209,490	185,888,585	209,038,028	80,585,942	32,627,543	49,018,251	111,787,753	669,155,592
Additions	-	-	690,800	2,316,349	1,788,766	11,355,317	108,592,750	124,743,982
Transfers/capitalised	-	43,155,850	85,441,634	36,037,401	-	-	(164,634,885)	-
Disposal/adjustment	-	-	(30,957,294)	(12,455,991)	(2,731,067)	(5,565,540)	-	(51,709,892)
Balance at 31 December 2017	209,490	229,044,435	264,213,168	106,483,701	31,685,242	54,808,028	55,745,618	742,189,682
Balance at 1 January 2018	**209,490**	**229,044,435**	**264,213,168**	**106,483,701**	**31,685,242**	**54,808,028**	**55,745,618**	**742,189,682**
Additions	**-**	**-**	**-**	**1,129,088**	**4,167,735**	**1,958,913**	**143,848,693**	**151,104,429**
Transfers/capitalised	**-**	**15,780,686**	**29,072,887**	**22,295,502**	**-**	**-**	**(67,149,075)**	**-**
Disposal/adjustment	**-**	**-**	**(78,580,360)**	**(1,305,859)**	**-**	**-**	**-**	**(79,886,219)**
Balance at 31 December 2018	**209,490**	**244,825,121**	**214,705,695**	**128,602,432**	**35,852,977**	**56,766,941**	**132,445,236**	**813,407,892**
Accumulated depreciation								
Balance at 1 January 2017	209,490	103,480,365	174,965,493	66,578,106	27,811,705	37,355,316	-	410,400,475
Depreciation for the year	-	10,850,990	21,161,495	7,194,378	3,652,198	6,468,616	-	49,327,677
Disposal/adjustment	-	-	(30,957,195)	(12,387,916)	(2,730,992)	(5,563,540)	-	(51,639,643)
Balance at 31 December 2017	209,490	114,331,355	165,169,793	61,384,568	28,732,911	38,260,392	-	408,088,509
Balance at 1 January 2018	**209,490**	**114,331,355**	**165,169,793**	**61,384,568**	**28,732,911**	**38,260,392**	**-**	**408,088,509**
Depreciation for the year	**-**	**14,449,008**	**28,920,531**	**18,136,742**	**3,069,467**	**6,773,433**	**-**	**71,349,181**
Disposal/adjustment	**-**	**-**	**(78,580,035)**	**(947,138)**	**-**	**-**	**-**	**(79,527,173)**
Balance at 31 December 2018	**209,490**	**128,780,363**	**115,510,289**	**78,574,172**	**31,802,378**	**45,033,825**	**-**	**399,910,517**
Carrying amounts								
At 1 January 2017	-	82,408,220	34,072,535	14,007,836	4,815,838	11,662,935	111,787,753	258,755,117
At 31 December 2017	-	114,713,080	99,043,375	45,099,133	2,952,331	16,547,636	55,745,618	334,101,173
At 31 December 2018	**-**	**116,044,758**	**99,195,406**	**50,028,260**	**4,050,599**	**11,733,116**	**132,445,236**	**413,497,375**

B. Allocation of depreciation

In Taka	2018	2017
Cost of sales	**61,488,731**	39,577,400
Selling and distribution expenses	**5,466,098**	5,173,340
Administrative and general expenses	**4,394,352**	4,576,937
	71,349,181	49,327,677

16. Property, plant and equipment (continued)

C. Under construction

See accounting policy in Note 40(I)

In Taka	Furniture fixtures and equipment	Buildings	Plant and machinery	Total
Cost				
Balance at 1 January 2018	**7,697,450**	**13,494,987**	**34,553,181**	**55,745,618**
Additions	**21,186,630**	**27,217,761**	**95,444,302**	**143,848,693**
Capitalisation to assets	**(22,295,502)**	**(15,780,686)**	**(29,072,887)**	**(67,149,075)**
Balance at 31 December 2018	**6,588,578**	**24,932,062**	**100,924,596**	**132,445,236**
Balance at 1 January 2017	-	22,371,651	89,416,102	111,787,753
Additions	43,734,851	34,279,186	30,578,713	108,592,750
Capitalisation to assets	(36,037,401)	(43,155,850)	(85,441,634)	(164,634,885)
Balance at 31 December 2017	**7,697,450**	**13,494,987**	**34,553,181**	**55,745,618**

17. Inventories

See accounting policy in Note 40(G)

In Taka	*Note*	As at 31 December 2018	2017
Raw and packing materials	*17(A)*	**179,766,729**	212,620,466
Provision for inventory obsolescence		**(4,950,620)**	(26,369,962)
Net raw and packing materials		**174,816,109**	186,250,504
Finished goods		**122,828,330**	56,850,464
Provision for inventory obsolescence		**(8,876,226)**	(4,927,750)
Net finished goods	*17(B)*	**113,952,104**	51,922,714
Work-in-progress		**1,355,345**	3,472,103
Inventory in transit	*17(C)*	**11,006,139**	33,080,357
		12,361,484	36,552,460
		301,129,697	274,725,678

A. Raw and packing materials

Raw materials	**152,032,341**	172,887,145
Packing materials	**27,734,388**	39,733,321
	179,766,729	212,620,466

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B. Finished goods

i. Operational allocation of finished goods

Manufacturing unit	**61,796,301**	39,101,746
Trading unit	**52,155,803**	17,748,718
	113,952,104	56,850,464

ii. Business line-wise allocation of finished goods

		2018		2017	
Business line	Unit of measurement	Quantity Unit	Amount Taka	Quantity Unit	Amount Taka
	Metric Ton	**534**	**74,553,727**	545	23,452,700
Household and toiletries	Thousand Litre	**346**	**22,420,304**	378	19,702,586
	Million No.	**0**	**2,042,379**	60	4,963,633
			99,016,410		48,118,919
Pharmaceuticals	Thousand Litre	**50**	**12,490,107**	19	4,351,802
	Million No.	**3**	**2,445,587**	19	4,379,743
			14,935,694		8,731,545
			113,952,104		56,850,464

C. Inventory in transit

In Taka	2018	2017
Raw and packing materials	**1,566,110**	8,919,383
Finished goods	**9,440,029**	24,160,974
	11,006,139	33,080,357

18. Trade and other receivables

		As at 31 December	
In Taka	*Note*	2018	2017
Trade receivables	*18(A)*	**81,090,165**	127,260,928
Other receivables	*18(B)*	**3,773,453**	3,180,983
		84,863,618	130,441,911

A. Trade receivables

Trade receivables		**81,932,163**	128,802,137
Provision for bad debt allowance	*18(A)(i)*	**(841,998)**	(1,541,209)
		81,090,165	127,260,928

i. Provision for bad debt allowance

Balance at 1 January	**1,541,209**	89,330
Provision made during the year	**(699,211)**	1,451,879
Balance at 31 December	**841,998**	1,541,209

B. Other receivables

Intercompany receivables	*18(B)(i)*	**3,244,284**	1,853,900
Interest receivables		**529,169**	1,327,083
		3,773,453	3,180,983

i. Intercompany receivables

PT. Reckitt Benckiser Indonesia	**-**	-
Reckitt Benckiser Corporate Services Limited	**523,192**	-
Reckitt Benckiser India Limited	**2,721,092**	1,853,900
	3,244,284	1,853,900

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19. Advances, deposits and prepayments

A. Advances		
Advance to suppliers	**8,812,046**	11,360,129
Advance to employees	**2,835,636**	3,959,840
	11,647,682	15,319,969
B. Deposits		
Security deposit	**1,056,000**	1,056,000
VAT current account	**1,194,636**	(1,262,298)
	2,250,636	(206,298)
C. Prepayments		
Prepaid insurance	**2,159,800**	1,875,988
L/C margin held	**-**	15,383,656
Prepaid others	**1,298,492**	-
Prepaid government fees*	**13,227,964**	10,256,681
Prepaid rent	**17,169,756**	23,732,940
	33,856,012	51,249,265
	47,754,330	66,362,936

* Prepaid government fees includes Taka 1,983,526 (2017: Taka 1,562,149) for claiming VAT refund and Taka 3,944,343 (2017: 3,944,343) for claiming duty drawback refund for exporting goods on which VAT was paid at the time of import.

20. Cash and cash equivalents

Cash in hand		**195,007**	200,517
Cash at bank	*20(A)*	**949,676,148**	714,126,289
		949,871,155	714,326,806

A. Cash at bank

Hong Kong and Shanghai Banking Corporation Limited	**50,096,546**	74,416,067
Standard Chartered Bank	**399,579,602**	289,710,222
Short term deposits*	**500,000,000**	350,000,000
	949,676,148	714,126,289

*As at 31 December 2018, the company had two short term deposits with HSBC with maturity of less than three months.

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21. Share capital

See accounting policy in Note 40(F)

In Taka	As at 31 December 2018	As at 31 December 2017
130,000 ordinary shares of Taka 10 each fully paid up in cash	**1,300,000**	1,300,000
20,000 ordinary shares of Taka 10 each fully paid up in other than cash	**200,000**	200,000
4,575,000 ordinary shares of Taka 10 each fully paid bonus share	**45,750,000**	45,750,000
In issue at 31 December - fully paid	**47,250,000**	47,250,000
Authorised		
25,000,000 ordinary shares of Taka 10 each	**250,000,000**	250,000,000

A. Position of shareholding

		At 31 December 2018		At 31 December 2017	
Name of the shareholders	Number of shares Unit	Face value Taka	Percentage of holding %	Face value Taka	Percentage of holding %
Parent company					
Reckitt Benckiser plc, UK	**3,919,918**	**39,199,180**	**82.96**	39,199,180	82.96
Bangladeshi shareholders:					
ICB Unit Fund	**25,600.00**	**256,000**	**0.54**	452,200	0.96
Investment Corporation of Bangladesh (ICB)	**43,064**	**430,640**	**0.91**	550,330	1.16
ICB Mutual Funds	**300**	**3,000**	**0.01**	3,000	0.01
Individuals	**265,750**	**2,657,500**	**5.62**	2,178,310	4.61
Government of Bangladesh	**178,339**	**1,783,390**	**3.77**	1,783,390	3.77
Sadharan Bima Corporation (SBC)	**79,059**	**790,590**	**1.67**	790,590	1.67
Other institutions	**212,970**	**2,129,700**	**4.51**	2,293,000	4.85
	4,725,000	**47,250,000**	**100**	47,250,000	100

B. Classification of shareholders by holdings

	At 31 December 2018		At 31 December 2017	
Holdings	Number of holders	Percentage of holdings	Number of holders	Percentage of holdings
Less than 500 shares	**2,059**	**2.75**	1,242	1.77
500 to 5,000 shares	**80**	**1.89**	85	2.40
5,001 to 10,000 shares	**3**	**0.47**	8	1.22
10,001 to 20,000 shares	**3**	**0.95**	2	0.56
20,001 to 30,000 shares	**1**	**0.54**	0	0.00
30,001 to 40,000 shares	**0**		1	0.68
40,001 to 50,000 shares	**1**	**0.91**	0	0.00
50,001 to 100,000 shares	**2**	**3.00**	3	4.17
100,001 to 1,000,000 shares	**2**	**6.52**	2	6.24
Over 1,000,000 shares	**1**	**82.96**	1	82.96
	2,152	**100**	1,344	100.00

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22. Employee benefits

See accounting policy in Note 40(C)

In Taka	2018	2017
Net defined benefit asset	-	-
Total employee benefit asset	-	-
Net defined benefit liability	**99,080,000**	91,480,000
Total employee benefit liabilities	**99,080,000**	91,480,000

A. Movement in net defined benefit asset and liability

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

	Defined benefit obligation		Fair value of plan assets		Net defined (asset)/liability	
In Taka	2018	2017	2018	2017	2018	2017
Balance at 1 January	**91,480,000**	77,050,000	-	-	**91,480,000**	77,050,000
Included in profit or loss						
Current service cost	**10,695,221**	8,018,282	-	-	**10,695,221**	8,018,282
Past service costs	-	-	-	-		
Interest cost/(income)	**7,620,000**	6,440,000	-	-	**7,620,000**	6,440,000
	18,315,221	14,458,282	-	-	**18,315,221**	14,458,282
Included in OCI						
Actuarial (gain)/loss arising from:					**8,630,000**	8,690,000
Retun on plan assets	-	-	-	-		
financial assumption	-	-	-	-		
experience adjustment	**8,630,000**	8,690,000	-	-		
	26,945,221	23,148,282	-	-	**26,945,221**	23,148,282
Other						
Contribution paid by the employer						
Benefits paid	**(19,345,221)**	(8,718,282)	-	-	**(19,345,221)**	(8,718,282)
	(19,345,221)	(8,718,282)	-	-	**(19,345,221)**	(8,718,282)
Balance at 31 December	**99,080,000**	91,480,000	-	-	**99,080,000**	91,480,000

In Taka	2018	2017
Current portion	**3,760,000**	3,660,000
Non Current portion	**95,320,000**	87,820,000
	99,080,000	91,480,000

B. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date.

	2018	2017
Financial assumptions:		
Discount rate	**8.5%**	8.5%
Salary escalation rate		
- for first year	**8.0%**	8.0%
- thereafter	**7.5%**	7.5%
Demographic assumptions:		
Attrition rate	**2%**	2%

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 (2006-08) ultimate 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.

C. 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 December 2018		31 December 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	**(9,940,000)**	**11,870,000**	(9,950,000)	11,800,000
Future Salary growth (1% movement)	**11,870,000**	**(10,120,000)**	11,810,000	(10,120,000)

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.

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23. Trade and other payables

In Taka	*Note*	2018	2017
Trade payables	*23(A)*	**161,903,457**	222,328,135
Other payables	*23(B)*	**1,035,009,837**	830,980,146
		1,196,913,294	1,053,308,281

A. Trade payables

Intercompany trade payables	*23(A)(i)*	**2,642,994**	12,449,539
Third party trade payables		**159,260,463**	209,878,596
		161,903,457	222,328,135

i. Intercompany trade payables

Reckitt Benckiser (India) Ltd.		**-**	9,513,704
Reckitt Benckiser Pakistan		**2,642,994**	-
Reckitt Benckiser Healthcare UK Ltd.		**-**	2,935,835
		2,642,994	12,449,539

B. Other payables

Third party other payables	*23(B)(i)*	**656,877,604**	549,582,143
Intercompany other payables	*23(B)(ii)*	**378,132,233**	281,398,003
		1,035,009,837	830,980,146

i. Third party other payables

Payable for employee remuneration and expenses		**569,487,812**	474,003,973
Advance from third parties		**1,099,996**	1,099,996
Withholding tax and VAT payables		**8,880,294**	10,163,334
Worker's profit participation fund	*13*	**26,282,247**	27,139,996
Payable for capital expenditure		**12,779,513**	19,357,959
Return provision		**31,448,933**	8,457,487
Unclaimed dividend	*23(B)(i)(a)*	**6,898,809**	9,359,398
		656,877,604	549,582,143

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23. Trade and other payables (continued)
B. Other payables (continued)
i. Third party other payables (continued)
a. Unclaimed dividend

In taka	*Note*	As at 31 December 2018	2017
Final 2017		-	-
2017 Interim		**526,746**	2,677,346
2016 Final		**636,746**	673,403
2015 2nd Interim		**254,998**	246,710
2016 1st Interim		**637,878**	631,078
2015 1st Interim		**752,863**	744,575
2014 Final		**154,190**	158,296
2014 2nd Interim		**513,572**	521,753
2014 1st Interim		**1,367,432**	1,361,244
2013 Final		**1,036,632**	1,333,631
2012 Final		**448,778**	447,428
2011 Final		**237,432**	235,632
2011 Interim		**331,542**	328,302
		6,898,809	9,359,398

b. Dividend paid during the year

Reckitt Benckiser plc, UK	**201,875,777**	254,794,670
Foreign shareholders	**201,875,777**	**254,794,670**
ICB Unit Fund	**1,996,810**	2,454,163
Investment Corporation of Bangladesh (ICB)	**2,835,794**	3,577,145
Mutual Funds	**2,260,181**	2,199,977
Individuals	**11,827,490**	14,368,275
Government of Bangladesh	**9,184,459**	11,592,035
Sadharan Bima Corporation (SBC)	**4,056,089**	5,119,335
Institutions	**9,300,900**	13,019,400
Bangladeshi shareholders	**41,461,723**	52,330,330
Dividend declared and paid in the year	**243,337,500**	307,125,000
Payment during the year from unclaimed dividend		
2017 Interim	**2,338**	-
2016 Final	**36,656**	-
2016 Interim	**5,100**	574,770
2015 2nd Interim	**1,913**	25,500
2015 Interim	**11,263**	52,275
2014 Final	**8,075**	11,532
2014 2nd Interim	**14,134**	8,925
2014 1st Interim	**4,950**	17,325
2013 Final	**309,600**	16,920
2012 Final	**4,050**	5,400
2011 Final	**1,800**	2,880
2011 Interim	**1,080**	4,320
	400,959	719,847
Declared dividend remains unclaimed	-	(2,677,346)
Payment during the year from unclaimed dividend	**243,738,459**	305,167,501

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23. Trade and other payables (continued)
B. Other payables (continued)
ii. Intercompany other payables

In Taka	*Note*	As at 31 December 2018	2017
Reckitt and Colman Overseas Limited, UK - Payable for technical services fee	*23(B)(ii)(a)*	**378,132,233**	281,398,003
		378,132,233	281,398,003

a. Payable for technical services fee

Balance as at 1 January		**281,398,003**	254,851,766
Charge for the year @ 5% of net turnover		**194,651,230**	183,481,003
Write back of unapproved portion of technical services fee		**-**	(68,413,766)
Net Charge for the year		**194,651,230**	115,067,237
Paid during the year	*23(B)(ii)(a)(a.1)*	**(97,917,000)**	(88,521,000)
Balance as at 31 December		**378,132,233**	281,398,003

a.1. Paid during the year

Paid to Reckitt and Colman Overseas Limited, UK	**(63,646,050)**	(57,538,650)
VAT on technical services fee	**(14,687,550)**	(13,278,150)
AIT on technical services fee	**(19,583,400)**	(17,704,200)
	(97,917,000)	(88,521,000)

24. Current tax liabilities

Balance as at 1 January	**89,161,318**	105,499,778
Provision made during the year	**189,198,659**	153,175,187
	278,359,977	258,674,965
Payment made under sections 64 and 74	**(105,093,880)**	(128,148,117)
Withholding tax	**(42,630,905)**	(41,365,530)
Payment made during the year	**(147,724,785)**	(169,513,647)
Balance as at 31 December	**130,635,192**	89,161,318

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25. Financial instruments - Fair values and risk management

A. 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.

		Carrying amount							
In Taka	Note	Fair value hedging instruments	Mandatorily at fair value	FVOCI-debt instruments	FVOCI equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Fair value
31 December 2018									
Financial assets measured at fair value									
Trade and other receivables	18	-	-	-	-	84,863,618	-	84,863,618	84,863,618
Cash and cash equivalents	20	-	-	-	-	949,871,155	-	949,871,155	949,871,155
		-	-	-	-	1,034,734,773		1,034,734,773	1,034,734,773
Financial liabilities measured at fair value									
Trade and other payables	23	-	-	-	-	-	1,196,913,294	1,196,913,294	1,196,913,294
		-	-	-	-	-	1,196,913,294	1,196,913,294	1,196,913,294
31 December 2017									
Financial assets measured at fair value									
Trade and other receivables	18	-	-	-	-	130,441,911	-	130,441,911	130,441,911
Cash and cash equivalents	20	-	-	-	-	714,326,806	-	714,326,806	714,326,806
		-	-	-	-	844,768,717	-	844,768,717	844,768,717
Financial liabilities measured at fair value									
Trade and other payables	23	-	-	-	-	-	1,053,308,281	1,053,308,281	1,053,308,281
		-	-	-	-	-	1,053,308,281	1,053,308,281	1,053,308,281

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25. Financial instruments - Fair values and risk management (continued)
B. 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.

i. 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.

i. (a) 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. (a.1) Financial assets

In Taka	***Note***	**2018**	**2017**
Trade and other receivables	*18*	**84,863,618**	130,441,911
Cash and cash equivalents	*20*	**949,871,155**	714,326,806
		1,034,734,773	844,768,717

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25. Financial instruments - Fair values and risk management (continued)
B. Financial risk management
i. (a.2) 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***	**2018**	**2017**
Interest receivables	*18(B)*	**529,169**	1,327,083
Intercompany receivables	*18(B)(i)*	**3,244,284**	1,853,900
		3,773,453	3,180,983

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

Past due 30 days	**529,169**	1,327,083
Past due 31-60 days	-	-
Past due 61-90 days	-	-
Past due 91-180 days	-	-
Past due over 180 days	-	-
	529,169	**1,327,083**

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

Past due 30 days	**523,192**	215,093
Past due 31-60 days	-	1,638,807
Past due 61-90 days	-	-
Past due 91-180 days	-	-
Past due over 180 days	**2,721,092**	-
	3,244,284	1,853,900

i. (a.3) 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		**195,007**	200,517
Cash at bank	*20(A)*	**949,676,148**	714,126,289
Cash and cash equivalents		**949,871,155**	714,326,806

The cash and cash equivalents: Cash at bank are held with HSBC and SCB which are rated ST-1 & AAA based on ratings by Credit Rating Agency of Bangladesh (CRAB) and Credit Rating Information and Services Limited (CRISL) respectively.

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25. Financial instruments - Fair values and risk management (continued)
B. Financial risk management (continued)
ii. 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
As at 31 December 2018									
Third party trade payables	*23(A)*	**159,260,463**	**1 month**	**N/A**	**(159,260,463)**	**(159,260,463)**	**-**	**-**	**-**
Trade payables due to related parties	*23(A)(i)*	**2,642,994**	**1 month**	**N/A**	**(2,642,994)**	**(2,642,994)**	**-**	**-**	**-**
Third party other payables	*23(B)(i)*	**656,877,604**	**12 months**	**N/A**	**(656,877,604)**	**(649,978,795)**	**(6,898,809)**	**-**	**-**
Intercompany other payables	*23(B)(ii)*	**378,132,233**	**12 months**	**N/A**	**(378,132,233)**	**-**	**(378,132,233)**	**-**	**-**
		1,196,913,294			**(1,196,913,294)**	**(811,882,252)**	**(385,031,042)**	**-**	**-**
As at 31 December 2017									
Third party trade payables	*23(A)*	209,878,596	1 month	N/A	(209,878,596)	(209,878,596)	-	-	-
Trade payables due to related parties	*23(A)(i)*	12,449,539	1 month	N/A	(12,449,539)	(12,449,539)	-	-	-
Third party other payables	*23(B)(i)*	549,582,143	12 months	N/A	(549,582,143)	(540,222,745)	(9,359,398)	-	-
Intercompany other payables	*23(B)(ii)*	281,398,003	12 months	N/A	(281,398,003)	-	(281,398,003)	-	-
		1,053,308,281			(1,053,308,281)	(762,550,880)	(290,757,401)	-	-

25. Financial instruments - Fair values and risk management (continued)
B. Financial risk management (continued)
iii. Market risk

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

iii. (a) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings incurred in foreign currencies. The Company's foreign currency transactions are denominated in USD, EUR and GBP.

iii. (b) Exposure to currency risk

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

	As at 31 December 2018			As at 31 December 2017		
	USD	**EUR**	**GBP**	USD	EUR	GBP
Foreign currency denominated assets						
Trade receivables due from related parties	**38,782**	-		22,597	-	-
Other receivables	-	-		-	-	-
Total assets	**38,782**	-		22,597	-	-
Foreign currency denominated liabilities						
Trade payables due to related parties	**31,595**	-	-	115,150	-	26,296
Other payables	-	-	-	-	-	-
Total liabilities	**31,595**	-	-	115,150	-	26,296
Net exposure	**7,187**	-	-	(92,553)	-	(26,296)

iii. (c) The following significant exchange rates have been applied during the year.

	2018	**2017**
Average rate		
USD	**83.89**	80.83
EUR	**99.07**	91.26
GBP	**111.99**	104.18
Year end spot rate		
USD	**83.65**	82.62
EUR	**95.93**	99.15
GBP	**106.69**	111.64

iii. (d) 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 2018.

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26. 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	2018 Managing Director	2018 Directors and managers	2017 Managing Director	2017 Directors and managers
Remuneration, bonus and other benefits	**45,606,041**	**256,373,691**	35,998,069	174,458,996
Housing rental	**-**	**57,655,909**	-	53,367,499
Leave passage	**-**	**7,599,873**	-	6,896,700
Medical	**-**	**2,078,053**	-	3,211,445
Short-term employee benefits	**45,606,041**	**323,707,526**	35,998,069	237,934,640
Gratuity provision	**-**	**15,249,667**	-	20,204,735
Provident fund	**-**	**11,752,234**	-	10,057,572
Post-employment benefits	**-**	**27,001,901**	-	30,262,307
	45,606,041	**350,709,427**	35,998,069	268,196,947
Number	**1**	**97**	1	87

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 2018	Transaction values for the 2017	Balance outstanding as at 31 December 2018	Balance outstanding as at 31 December 2017
Transaction with parent company				
Technical services fee				
Reckitt and Colman Overseas Limited, UK	**194,651,230**	115,067,237	**378,132,233**	281,398,003
Dividend paid				
Parent of the company - Reckitt Benckiser plc, UK	**201,875,777**	254,794,670	**-**	-
	396,527,007	369,861,907	**378,132,233**	281,398,003
Intercompany payables				
Import of raw materials and finished products				
Reckitt Benckiser (India) Ltd.	**52,204,009**	48,691,497	**-**	9,513,704
Reckitt Benckiser Healthcare UK	**24,506,754**	17,394,639	**-**	2,935,835
Reckitt Benckiser Pakistan	**5,030,305**	-	**2,642,994**	-
Reckitt Benckiser Healthcare India	**-**	1,056	**-**	-
RB Thailand	**-**	815,175	**-**	-
LRC Products Ltd. UK	**-**	4,338,591	**-**	-
SSL Manufacturing (Thailand) Ltd.	**-**	831,583	**-**	-
	81,741,068	72,072,541	**2,642,994**	12,449,539
Intercompany receivables				
Sale of goods				
Reckitt Benckiser (India) Limited	**3,290,198**	1,853,900	**2,721,092**	1,853,900
	3,290,198	1,853,900	**2,721,092**	**1,853,900**
Systems support services				
Reckitt Benckiser Corporate Services Ltd.	**3,165,758**	2,609,771	**523,192**	-
	3,165,758	2,609,771	**523,192**	-

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27. Operating leases

See accounting policy in Note 40(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 28,604,579 (2017: Taka 25,287,958) 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	Note	2018	2017
Less than one year		**29,444,346**	26,595,540
Between two and five years		**15,979,425**	24,340,425
More than five years		**-**	-
		45,423,771	50,935,965

ii. Amounts recognized in profit or loss

In Taka		
Lease expense	**28,604,579**	25,287,958
Contingent rent expense	**-**	-
Sub-lease income	**-**	-

28. Net asset value per share

Net Asset	**385,678,187**	303,714,942
Weighted average number of ordinary shares outstanding during the year	**4,725,000**	4,725,000
Net asset value per share	**81.63**	64.28

29. Net operating cash flow per share

Net operating cash flow	**610,546,055**	441,181,500
Weighted average number of ordinary shares outstanding during the year	**4,725,000**	4,725,000
Net operating cash flow per share	**129.22**	93.37

30. Reconciliation of net operating cash flow:

Profit before tax	**525,644,943**	542,799,928
Adjustment for:		
- Depreciation & Amortization	**71,349,181**	49,327,677
- (Gain)/Loss on sale of fixed assets	**(3,853,354)**	(2,036,479)
- Bad debts	**(699,211)**	1,451,879
- Finance income	**(21,409,314)**	(10,423,783)
	571,032,245	581,119,222
Changes in:		
- Inventories	**(26,404,019)**	21,003,932
- Trade and other receivables	**45,578,293**	(114,030,452)
- Advances, deposits and prepayments	**18,608,606**	8,801,680
- Trade and other payables	**150,485,715**	108,060,764
- Employee benefits	**(1,030,000)**	5,740,000
Cash generated from operating activities	**758,270,840**	610,695,146
Income tax paid	**(147,724,785)**	(169,513,647)
Net cash generated by operating activities	**610,546,055**	441,181,499

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31. Commitments

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

A. Capital expenditure commitment

In Taka	2018	2017
Financial expenditures - outstanding purchase orders	**12,734,680**	68,337,000
	12,734,680	68,337,000

32. Contingent liabilities

There are contingent liabilities of Taka 74,833,620 (2017: Taka 113,493,340) on account of bank guarantees, acceptance trust receipt under letter of credit and Taka 210,255,506 (2017: Taka 169,886,681) on account of ordinary letter of credit issued by Standard Chartered Bank in favour of the company.

Out of Taka 8,502,588, Taka 7,544,501 for bank guarantees (2017: Taka 4,139,712) and Taka 958,087 for performance bond guarantees (2017: Taka 29,690,318) on behalf of Reckitt Benckiser (Bangladesh) Limited.

There is a documentary credit of Taka 17,286,332 (2017: Taka 40,246,627) and import bills/bills receivable Taka 6,931,362 (2017: Taka 4,176,045) have been issued by SCB & HSBC on behalf of Reckitt Benckiser (Bangladesh) Limited.

In Taka	2018	2017
Guarantees issued by the Company's scheduled bankers to third parties on counter - indemnities given by the Company	**8,502,588**	33,830,030
Irrevocable letter of credit opened by the scheduled banks net of on account payment	**300,804,231**	293,972,663
	309,306,819	327,802,693

33. Number of employees

The company employed 211 (2017: 195) 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.

34. Events after the reporting date

For the year 2018, the Board of Directors recommended a final dividend of Taka 70 per share amounting to Taka 330,750,000 at the board meeting held on 15 April 2019.

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35. Remittance made in foreign currency (FC)

Currency	2018 FC	2018 Taka	2017 FC	2017 Taka
Dividend paid to Reckitt Benckiser Plc, UK (GBP)	**1,684,169.4**	**181,688,199**	2,087,923.7	229,315,203
Reckitt and Colman Overseas Ltd. (GBP)	**537,097.5**	**63,646,050**	569,407.7	57,538,650
Tower Wattson India Private Limited (USD)	**1,600.0**	**134,240**	1,600.0	130,880

36. Receipt in foreign currency (FC)

Name of customer/vendor

Currency	Nature of receipt	2018 FC	2018 Taka	2017 FC	2017 Taka
Reckitt Benckiser Corporate Services Ltd. (USD)	System Support Service	**18,865**	**1,582,180**	25,840	2,091,389
Total		**18,865**	**1,582,180**	25,840	2,091,389

37. Production capacity

Line of business	Unit of measurement	Installed capacity for the year 2018	Production for the year 2018
Household & toiletries	Thousand Litre	17,189	10,396
	Metric Ton	10,080	4,915
Pharmaceuticals	Thousand Litre	2,914	995
Total	**Thousand Litre**	**20,103**	**11,391**
	Metric Ton	**10,080**	**4,915**

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38. Basis of measurement

The financial statements of the Company have been prepared on historical cost basis except for net defined benefit (asset)/liability for which the measurement basis is the fair value of plan assets less the present value of the defined benefit obligation, as explained in Note 40(C).

39. Standards issued but not yet effective

In January 2018, the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted International Financial Reporting Standards issued by the International Accounting Standards Board as IFRSs. As the ICAB previously adopted such standards as Bangladesh Financial Reporting Standards without any modification, this adoption does not have any impact on the financial statements of the Company for annual periods beginning on or after 1 January 2018.

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Company's financial statements in the period of initial application.

A. IFRS 16 Leases

The Company is required to adopt IFRS 16 Leases from 1 January 2019. The Company has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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39. Standards issued but not yet effective (continued)
A. IFRS 16 Leases (continued)
i. Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of 1 corporate office, 3 warehouses and 8 sales offices. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

Based on the information currently available, the Company estimates that it will recognise additional lease liabilities of Taka 37,667,582 as at 1 January 2019

ii. Transition

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

40. 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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40. Significant accounting policies (continued)

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

The Company recognises as revenue the amount that reflects the consideration to which the Company expects to be entitled in exchange for goods or services when (or as) it transfers control to the customer. To achieve that core principle, this standard establishes a five-step model as follows:

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

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

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 fund)

The Company operates a recognised provident fund in which employees contribute 10% of their basic salary and the company also contributes same. The Company 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 IAS 19 - *Employee benefits*. 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.

40. Significant accounting policies (continued)

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), if any.

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). Currently, the applicable tax rate is 25% on taxable profit.

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.

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40. Significant accounting policies (continued)
G. Inventories

Category	Basis of valuation	Principle
Raw and packing materials	At the lower of cost or net realisable value	Weighted average
Finished goods	At the lower of cost or net realisable value	Weighted average
Work in progress	At standard cost comprising the procurement value of material, direct labour and appropriate production of overhead expenses.	
Inventory in transit	At cost comprising invoice value plus other charges incurred thereon.	

Inventories are measured at the lower of cost and net realisable value. 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 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 to completion and selling expenses.

Inventory in transit represents the cost incurred for the items that were not received up to the date of statement of financial position.

H. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the intended manner. Cost also includes initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

ii. Subsequent costs

The cost of replacing or upgrading part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of the property, plant and equipment are recognised in profit or loss as incurred.

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40. Significant accounting policies (continued)

H. Property, plant and equipment (continued)

iii. Depreciation

Items of property, plant and equipment are depreciated from the month they are available for use while no depreciation is charged for the month in which an asset is disposed off.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated except for leasehold land.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Leasehold land	The lower of 50 years or the life of the lease.
Buildings	5-45 years
Plant and machinery	3-8 years
Furniture, fixtures and equipment	1-5 years
Computers	3 years
Vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Property, plant and equipment with a cost of minimum BDT 50,000 are capitalized. Property, plant and equipment with a cost price below BDT 50,000 are fully depreciated in the year of acquisition and charged in the administrative expenses.

I. Asset under construction

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. Capital work-in-progress is recorded at cost to the extent of expenditure incurred to date of statement of financial position. The amount of capital work-in-progress is transferred to appropriate asset category and depreciated when the asset is completed and commissioned.

J. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Recognition and initial measurement

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

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

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40. Significant accounting policies (continued)
J. Financial instruments (continued)
ii. Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

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

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

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

Financial assets – Business model assessment: Policy applicable from 1 January 2018

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

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

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40. Significant accounting policies (continued)
J. Financial instruments (continued)

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

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

Financial assets includes cash and cash equivalents, trade and other receivables, investment.

(a) Cash and cash equivalents

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

(b) Trade and other receivables

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

ii. Financial liability

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

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

Financial liabilities include trade and other payables etc.

(a) Trade and other payables

The Company recognises 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.

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40. Significant accounting policies (continued)

K. Impairment

i. Financial assets

The Company recognises loss allowances for ECLs on:
- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

L. Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the date of statement of financial position. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditures expected to be required to settle the obligation.

M. Operating lease

All the lease transactions have been classified based on the extent to which risks and rewards incidental to ownership of the assets lie with the lessor or lessee. According to this classification, all the company's lease transactions have been identified as operating lease as per International Accounting Standard 17-*Leases* based on the substance of the transactions, not merely on the legal form.

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40. Significant accounting policies (continued)

N. Contingencies

i. Contingent liability

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

Contingent liability should not be recognised in the financial statements, but may require disclosure. A provision should be recognised in the period in which the recognition criteria of provision have been met.

ii. Contingent asset

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

A contingent asset must not be recognised. Only when the realisation of the related economic benefits is virtually certain should recognition take place provided that it can be measured reliably because, at that point, the asset is no longer contingent.

O. Earnings per share

The Company presents basic and diluted (when dilution is applicable) earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company with the weighted average number of ordinary shares outstanding during the period, adjusted for the effect of change in number of shares for bonus issue. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

Related disclosure of earnings per share has been provided in Note 12.

P. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Company's management committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assesses its performance, and for which discrete financial information is available.

Q. Events after the reporting date

Events after the reporting period that provide additional information about the Company's position at the reporting date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Material events after the reporting date that are not adjusting events are disclosed in the Note 34.

41. Going concern

The financial statements of the Company are prepared on a going concern basis. As per management assessment there are no material uncertainties related to events or conditions which may cast significant doubt upon Company's ability to continue as a going concern.

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