HMCL Niloy Bangladesh Limited

Report and financial statements as at
and for the year ended 31 March 2016

Rahman Rahman Huq
Chartered Accountants
9 Mohakhali C/A (11th & 12th Floors)
Dhaka 1212
Bangladesh

Telephone +880 (2) 988 6450-2
Fax +880 (2) 988 6449
E-mail dhaka@kpmg.com
Internet www.kpmg.com/bd

Independent auditor's report to the shareholders of HMCL Niloy Bangladesh Limited

Report on the financial statements

We have audited the accompanying financial statements of HMCL Niloy Bangladesh Limited (the Company) which comprise the statement of financial position as at 31 March 2016, 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of HMCL Niloy Bangladesh Limited as at 31 March 2016 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards.

Other matter

The financial statements of the Company for the period ended 31 March 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 22 April 2015.

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.

Chittagong office address :
102 Agrabad C/A (3rd Floor)
Chittagong, Bangladesh

Tel +880 (31) 710704, 710996
Fax +880 (31) 2520795
E-mail chittagong@kpmg.com
Internet www.kpmg.com/bd

Report on other legal and regulatory requirements

In accordance with the Companies Act 1994, we also report the following:

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

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

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.

Rahman Rahman Huq
Dhaka, 21 April 2016

RRH

Rahman Rahman Huq

HMCL Niloy Bangladesh Limited
Statement of financial position

In Taka	*Note*	31 March 2016	31 March 2015
Assets			
Property, plant and equipment	*5*	**512,756,006**	583,484
Intangible assets	*6*	**92,516**	-
Non-current assets		**512,848,522**	583,484
Advance, deposits and prepayments	*7*	**42,440,173**	8,975
Current tax asset	*8*	**2,201,314**	-
Accrued interest	*9*	**-**	1,981,784
Cash and cash equivalents	*10*	**425,229,254**	321,492,040
Current assets		**469,870,741**	323,482,799
Total assets		**982,719,263**	324,066,283
Equity			
Share capital	*11*	**748,200,000**	315,084,000
Retained earnings		**(1,879,299)**	3,861,685
Total equity		**746,320,701**	318,945,685
Liabilities			
Share money deposit	*12*	**810,474**	750
Long-term liabilities	*13*	**181,252,889**	-
Non-current liabilities		**182,063,363**	750
Intercompany payables	*14*	**1,330,444**	2,282,283
Payables	*15*	**37,637,815**	-
Accrued expenses	*16*	**15,366,940**	340,400
Current tax liability	*8*	**-**	2,497,165
Current liabilities		**54,335,199**	5,119,848
Total liabilities		**236,398,562**	5,120,598
Total equity and liabilities		**982,719,263**	324,066,283

The notes on pages 7 to 30 are an integral part of these financial statements.

A. M. Ahmad
Director

Director

As per our report of same date.

Rahman Rahman Huq
Auditor

Dhaka, 21 April 2016

RRH

Rahman Rahman Huq
Chartered Accountants

HMCL Niloy Bangladesh Limited
Statement of profit or loss and other comprehensive income

In Taka	*Note*	for the year ended 31 March **2016**	for the period ended 31 March **2015**
Revenue		-	-
Cost of goods sold		-	-
Gross profit/loss		-	-
Administrative and other expenses	*17*	**(26,329,925)**	(2,241,682)
Operating profit/(loss)		**(26,329,925)**	(2,241,682)
Finance income	*18*	**20,650,894**	9,335,950
Profit/(loss) before tax		**(5,679,031)**	7,094,268
Income tax expense	*19*	**(61,953)**	(3,232,583)
Profit/(loss) for the year/period		**(5,740,984)**	3,861,685

The notes on pages 7 to 30 are an integral part of these financial statements.

A. M. Ahmad
Director

Director

As per our report of same date.

Rahman Rahman Huq
Auditor

Dhaka, 21 April 2016

RRH

Rahman Rahman Huq
Chartered Accountants

HMCL Niloy Bangladesh Limited
Statement of changes in equity
for the year ended 31 March 2016

In Taka	*Note*	Share capital	Retained earnings	Total equity
Balance at 1 April 2015		**315,084,000**	**3,861,685**	**318,945,685**
Total comprehensive income				
Profit/(loss) for the year		**-**	**(5,740,984)**	**(5,740,984)**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**-**	**(5,740,984)**	**(5,740,984)**
Transactions with owners of the Company				
Contributions and distributions				
Issue of ordinary shares		**433,116,000**	**-**	**433,116,000**
Dividends		**-**	**-**	**-**
Total contributions and distributions		**433,116,000**	**-**	**433,116,000**
Balance at 31 March 2016		**748,200,000**	**(1,879,299)**	**746,320,701**

For the period ended 31 March 2015

In Taka	*Note*	Share capital	Retained earnings	Total equity
Balance as at 24 June 2014		-	-	-
Total comprehensive income				
Profit/(loss) for the period		-	3,861,685	3,861,685
Other comprehensive income		-	-	-
Total comprehensive income		-	3,861,685	3,861,685
Transactions with owners of the Company				
Contributions and distributions				
Issue of ordinary shares		315,084,000	-	315,084,000
Dividends		-	-	-
Total contributions and distributions		315,084,000	-	315,084,000
Balance at 31 March 2015		315,084,000	3,861,685	318,945,685

The notes on pages 7 to 30 are an integral part of these financial statements.

HMCL Niloy Bangladesh Limited
Statement of Cash flows

In Taka	*Note*	for the year ended 31 March **2016**	for the period ended 31 March **2015**
Cash flows from operating activities			
Loss for the year		**(5,740,984)**	3,861,685
Adjustments for:			
- Depreciation	*5*	**466,345**	-
- Amortisation	*6*	**8,410**	-
- Net finance (income)/cost	*18*	**(20,650,894)**	(9,335,950)
- Income tax expense	*19*	**61,953**	3,232,583
		(25,855,170)	(2,241,682)
Changes in:			
- Advance, deposits and prepayments	*7*	**(2,846,453)**	(8,975)
- Intercompany payables	*14*	**(951,839)**	2,282,283
- Payables	*15*	**37,637,815**	-
- Accrued expenses	*16*	**15,026,540**	340,400
Cash generated from operating activities		**23,010,893**	372,026
Taxes paid	*8*	(4,760,432)	(735,418)
Net cash from operating activities		**18,250,461**	(363,392)
Cash flows from investing activities			
FDR interest received		**22,632,678**	7,354,166
Investment in property, plant and equipment	*5*	**(512,638,867)**	(583,484)
Acquisition of intangible asset	*6*	**(100,926)**	-
Advance for capital expenditure	*7*	**(39,584,745)**	-
Net cash from investing activities		**(529,691,860)**	6,770,682
Cash flows from financing activities			
Proceed from issue of share capital		**433,116,000**	315,084,000
Share money deposit	*12*	**809,724**	750
Proceed from long-term liabilities		**181,252,889**	-
Net cash from investing activities		**615,178,613**	315,084,750
Net increase/(decrease) in cash and cash equivalent		**103,737,214**	321,492,040
Cash and cash equivalents at beginning of year/period		**321,492,040**	-
Cash and cash equivalents at end of year/period		**425,229,254**	321,492,040

The notes on pages 7 to 30 are an integral part of these financial statements.

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1 Reporting entity

HMCL Niloy Bangladesh Limited. (hereafter referred to as "HNBL" or "the Company") is a private limited company incorporated in Bangladesh on 24 June 2014 under the Companies Act, 1994. Its shareholders are HMCL Netherlands B.V. and Niloy Motors Ltd holding 55% and 45% respectively. Its registered office is at Nitol Niloy Tower, Plot-69, Nikunja-02, Khilkhet, Dhaka-1229.

The Company will manufacture and sell motorcycles within Bangladesh through the distribution channel of Niloy Motors Limited. The Company has not started commercial operation yet and is in the process of setting up a manufacturing plant at Padmabilla, Shakharigati, Kotowali, Jessore.

2 Basis of accounting

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs). The financial statements were authorised for issue by the Company's Board of Directors on .....

The title and format of these financial statements follow the requirements of BFRS which is slightly different from the requirement of the Companies Act 1994; however, such differences are not material and in the view of management, BFRS format as mentioned in BAS 1 gives a better presentation to the shareholders.

Details of the Company's accounting policies are included in note 27.

3 Functional and presentation currency

The financial statements are presented in Bangladesh Taka (Taka/Tk), which is the Company's functional currency. All amounts have been rounded to the nearest integer, unless otherwise indicated.

4 Use of estimates and judgments

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

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2016 is included in the following notes:

Note 5	Depreciation
Note 6	Amortisation
Note 8	Current tax asset/liability
Note 20	Contingencies and commitments

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5 Property, plant and equipment

See accounting policy in note 27(e)

In Taka	Furniture and fixtures	Computer Equipment	Office equipment	Plant and Machineries	Motor Vehicle	Capital work in progress Note - 5.1	Total
Cost							
Balance at 24 June 2014	-	-	-	-	-	-	-
Additions	-	-	-	-	-	583,484	583,484
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2015	-	-	-	-	-	583,484	583,484
Balance at 1 April 2015	-	-	-	-	-	**583,484**	**583,484**
Additions	**504,413**	**745,275**	**697,602**	**1,291,500**	**7,927,400**	**501,472,676**	**512,638,867**
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2016	**504,413**	**745,275**	**697,602**	**1,291,500**	**7,927,400**	**502,056,160**	**513,222,351**
Accumulated depreciation							
Balance at 24 June 2014	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2015	-	-	-	-	-	-	-
Balance at 1 April 2015	-	-	-	-	-	-	-
Depreciation	**11,423**	**67,892**	**28,947**	**10,224**	**347,859**	-	**466,345**
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2016	**11,423**	**67,892**	**28,947**	**10,224**	**347,859**	-	**466,345**
Carrying amounts							
At 31 March 2015	-	-	-	-	-	583,484	583,484
At 31 March 2016	**492,990**	**677,383**	**668,655**	**1,281,276**	**7,579,541**	**502,056,160**	**512,756,006**

Note:

The construction is going on a leased land provided by Niloy Motors Limited as per the Joint Venture Agreement, executed at Dhaka, Bangladesh on 16 April 2014, Clause 16.4 of Article 16 and the lease agreement is done initially for six years starting from 1 August 2015. Total area of the land under this lease agreement is 12.50 acre with a monthly rental of BDT 18,000/per acre and lease rental will be payable from 1 August 2016.

5.1 Capital work in progress

31 March 2016

In Taka	Opening balance	Addition	Transfer	**Closing balance**
Civil construction	-	285,694,825	-	285,694,825
Pre fabricated engineers building	-	78,773,700	-	78,773,700
Project management consultant	-	9,502,226	-	9,502,226
Bank interest on loan for capital machinery	-	1,823,121	-	1,823,121
Translation gain	-	654,089	-	654,089
Land development	583,484	273,000	-	856,484
Insurance for erection all risk	-	2,592,100	-	2,592,100
Boring machine	-	6,487,554	-	6,487,554
CNC wirecut machine	-	48,922	-	48,922
Compressor	-	105,835	-	105,835
Conveyer	-	7,893,527	-	7,893,527
Conveyor system	-	263,486	-	263,486
Die casting machine	-	50,029	-	50,029
Fire fighting system	-	137,606	-	137,606
Fork lift	-	35,260	-	35,260
Frame ass'y fixture	-	32,726	-	32,726
HSD yard	-	70,842	-	70,842
HT system BD	-	33,294	-	33,294
HT system	-	919,457	-	919,457
LPG yard	-	164,159	-	164,159
LT system BD	-	56,620	-	56,620
LT system	-	1,728,373	-	1,728,373
Manual welding line	-	127,950	-	127,950
Paint shop	-	98,608,007	-	98,608,007
Panasonic inverter	-	20,735	-	20,735
Plastic injecting mould	-	34,267	-	34,267
Press machine	-	34,540	-	34,540
Press tools	-	16,669	-	16,669
Screw compressor	-	175,130	-	175,130
Spinner hanger	-	33,510	-	33,510
Swing arm	-	176,208	-	176,208
Test bench	-	4,494,394	-	4,494,394
Testing machine	-	25,735	-	25,735
Welding robot	-	54,879	-	54,879
WTP & STP	-	329,901	-	329,901
Total	**583,484**	**501,472,676**	**-**	**502,056,160**

31 March 2015

In Taka	Opening balance	Addition	Transfer	Closing balance
Land development	-	583,484	-	583,484
Total	**-**	**583,484**	**-**	**583,484**

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6 Intangible assets

See accounting policy in note 27(f)

In Taka	Accounting software - Tally	Total
Cost		
Balance at 24 June 2014	-	-
Additions	-	-
Disposals	-	-
Balance at 31 March 2015	-	-
Balance at 1 April 2015	-	-
Additions	100,926	100,926
Disposals	-	-
Balance at 31 March 2016	**100,926**	**100,926**
Accumulated amortisation		
Balance at 24 June 2014	-	-
Amortisation for the year	-	-
Disposals	-	-
Balance at 31 March 2015	-	-
Balance at 1 April 2015	-	-
Amortisation for the year	8,410	8,410
Disposals	-	-
Balance at 31 March 2016	**8,410**	**8,410**
Carrying amounts		
At 31 March 2015	-	-
At 31 March 2016	**92,516**	**92,516**

7 Advance, deposits and prepayments

In Taka	*Note*	2016	2015
Advance to employees		**936,426**	-
Enviro Consultant Limited		**725,000**	-
Nitol Insurance Company Ltd.		**19,347**	-
Eisenmann Surface Finishing Systems India Pvt. Ltd.		**27,197,305**	-
SCP Construction Co.		**257,500**	-
A.M.A International		**192,500**	-
M/S. Pinki Traders		**289,800**	-
Advance		**29,617,878**	-
L/C Margin deposit		**10,903,293**	-
Elite Security Services Limited - security deposit		**389,500**	-
Security deposit against house rent		**150,000**	-
Deposits		**11,442,793**	-
Malek Siddique Wali & Co		-	8,975
Prepaid house rent		**577,050**	-
Insurance premium (Employee Group Insurance)		**802,452**	-
Prepayments		**1,379,502**	8,975
		42,440,173	8,975

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8 Current tax asset/(liability)

See accounting policy in note 27(d)

In Taka	*Note*	2016	2015
Advance income tax	*8.1*	**2,263,267**	735,418
Provision for income tax	*8.2*	**(61,953)**	(3,232,583)
		2,201,314	(2,497,165)

8.1 Advance income tax

In Taka	*Note*	2016	2015
Balance at beginning of the year		**735,418**	-
Paid during the year		**2,263,267**	735,418
Less: Adjustment of advance income tax		**(735,418)**	-
		2,263,267	735,418

This amount represents tax deducted at source from the Company's interest income on FDR.

8.2 Provision for taxation

In Taka	*Note*	2016	2015
Balance at beginning of the year		**3,232,583**	-
Provision made during the year		**61,953**	3,232,583
Less: Adjustment on submission of tax return		**(3,232,583)**	-
Balance at end of the year		**61,953**	**3,232,583**

9 Accrued interest

In Taka	*Note*	2016	2015
Interest on 1-month maturity FDR		-	781,783
Interest on 3-month maturity FDR		-	1,200,000
		-	1,981,783

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10 Cash and cash equivalents

See accounting policy in note 27(g)

In Taka	*Note*	2016	2015
Cash in hand		**123,176**	-
		123,176	-
Cash at bank			
Hongkong and Shanghai Banking Corporation Limited		**99,274,413**	-
Trust Bank Limited		**10,429,391**	20,462,040
City Bank Limited		**4,534,929**	-
		114,238,733	20,462,040
Fixed deposit receipt (FDR)			
Trust Bank Limited (1-month maturity FDR)		**101,633,787**	201,030,000
Trust Bank Limited (3-month maturity FDR)		**209,233,558**	100,000,000
		310,867,345	301,030,000
		425,229,254	321,492,040

11 Share capital

See accounting policy in note 27(h)

In Taka	*Note*	2016	2015
Authorised:			
15,000,000 Ordinary Shares of Tk. 100/- each		**1,500,000,000**	**800,000,000**
		1,500,000,000	**800,000,000**
Issued, Subscribed and Paid-up Capital:			
7,4820,00 Ordinary Shares of Tk. 100/- each	*11.1*	**748,200,000**	**315,084,000**
		748,200,000	**315,084,000**

Particulars of shareholding:

	2016		2015	
Name of shareholders	No. of share	Value (Tk)	No. of share	Value (Tk)
Niloy Motors Ltd.	**3,366,900**	**336,690,000**	1,417,878	141,787,800
HMCL Netherlands B.V.	**4,115,100**	**411,510,000**	1,732,962	173,296,200
	7,482,000	**748,200,000**	3,150,840	315,084,000

11.1 Percentage of shareholdings

In Taka	2016	2015
Niloy Motors Ltd.	**45%**	45%
HMCL Netherlands B.V.	**55%**	55%
	100%	100%

12 Share money deposit

In Taka	2016	2015
Niloy Motors Ltd.	**810,000**	200
HMCL Netherlands B.V.	**474**	550
	810,474	750

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13 Long term liabilities

See accounting policy in note 27(g)

In Taka	*Note*	2016	2015
USD term loan from HSBC		**128,195,415**	-
BDT term loan from HSBC		**53,057,474**	-
		181,252,889	-

Credit facilities available as at 31 March 2016

Hongkong and Shanghai Banking Corporation Limited

Facility offer letter no: FOL001 dated 24 August 2015

Purpose	Limit (BDT)	Interest rate	Maximum Tenor
Capital expenditure (import)	12,420,000,000	4% plus LIBOR per annum on daily	6 years including moratorium period of 1 year
Capital expenditure (local purchase)		11.50% per annum on daily balance	
Raw material import	544,000,000	10.50% per annum on daily balance	180 days
Guarantee	80,000,000	0.35% per annum for each guarantee	5 Years
Overdraft (O/D)	80,000,000	10.50% per annum on daily balance	On demand
Working capital	400,000,000	10.50% per annum on daily balance	180 days

Security Documentation:

1. Demand promissory note for Tk 2,040,000,000 with Letter of continuity and revival
2. Corporate guarantee to be executed by Niloy Motors Ltd. for Tk 918,800,000
3. First charge over the Borrower's stock of raw materials, work-in-progress and finished goods & book debts and receivables with the office of the Registrar Joint Stock Companies and Firm (RJSC) for Tk 2,040,000,000.
4. First charge over the Borrower's Plant and machinery with the RJSC for Tk 2,040,000,000
5. Power of attorney on hypothecated goods.
6. Trade financing general agreement for trade facility.
7. Blanket counter indemnity for guarantee facility
8. Letter of awareness from HMCL Netherlands B.V. to support the credit facility extended to HNBL.

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14 Intercompany payables

See accounting policy in note 27(g)

In Taka	2016	2015
Niloy Motors Limited	**1,330,444**	1,960,783
Nitol Motors Limited	**-**	321,500
	1,330,444	2,282,283

15 Payables

See accounting policy in note 27(g)

In Taka	*Note*	2016	2015
Other payables			
ARRA Technologies Limited		**322,975**	-
J.A.N Associates		**15,600**	-
M/S Build Asia		**850,774**	-
Build Trade Engineering Limited		**6,947,975**	-
Jones Lang LaSalle Bangladesh Private Limited (JLL)		**1,091,580**	
Akhter Furniture's Limited		**249,060**	-
Nitol Electronics Limited		**560,396**	-
NITS Services (Pvt) Ltd.		**20,000**	-
City Furniture		**44,000**	-
Khokon Electronics		**40,800**	-
Power Engineers Bangladesh Ltd.		**240,000**	-
Transmarine Logistics Ltd.		**2,837,357**	-
Withholding tax payable		**431,264**	-
Withholding VAT payable		**614,368**	-
Retention Money Against Contractor Bill	*15.1*	**23,371,666**	-
		37,637,815	-

15.1 Retention money against contractor bill

In Taka	*Note*	2016	2015
Build Asia		**13,578,361**	-
Eisenmann Surface Finishing Systems India Pvt. Ltd.		**9,155,032**	-
Kennametal India Ltd.		**638,274**	-
		23,371,666	-

16 Accrued expenses

In Taka	*Note*	2016	2015
Consultancy, professional and legal Fee		**1,141,030**	282,900
Audit fee		**531,300**	57,500
Group reporting fee		**287,500**	-
Security guard expense		**405,000**	-
Guest house rent		**92,340**	-
Travelling expenses		**29,400**	-
Telephone, mobile and internet		**11,500**	-
Printing and stationery		**2,040**	-
Cleaning services		**11,128**	-
Driver's allowances		**16,516**	-
Others		**3,031**	-
Provision for salary & allowances		**11,827,113**	-
Provision for interest on USD term loan		**1,009,042**	-
		15,366,940	340,400

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17 Administrative expenses

In Taka	*Note*	2016	2015
Salary and allowances		**12,829,176**	-
Local conveyance		**38,164**	-
Printing and stationery		**29,602**	14,192
Tours and travels foreign		**310,258**	-
Travelling expenses		**823,007**	51,600
Safety equipment		**2,200**	-
Postage and courier		**11,575**	-
Telephone, mobile and internet		**129,218**	-
Consultancy, professional and legal fee		**1,909,513**	1,240,102
Computer accessories		**28,114**	-
Entertainment		**239,300**	-
Fuel, toll and parking		**136,565**	-
Guest house rent		**2,128,220**	-
Registration and renewal expenses		**1,628,118**	766,830
Paper, books and periodicals		**1,744**	-
Driver's allowances		**137,619**	-
Electricity bill		**4,904**	-
Audit fee		**531,300**	57,500
Group reporting fee		**287,500**	-
Repair and maintenance		**248,776**	-
Office expenses		**166,249**	-
Office supplies		**23,370**	-
Incidental allowance		**58,325**	-
Security guard expense		**1,199,500**	-
Insurance expense		**95,737**	-
Relocation allowance		**2,570,000**	-
Cleaning services		**35,426**	-
Depreciation expense	*5*	**466,345**	-
Amortisation	*6*	**8,410**	-
Bank charges		**251,690**	111,458
		26,329,925	2,241,682

18 Finance income

See accounting policy in note 27(b)

In Taka	2016	2015
Interest receipt from FDR	**20,650,894**	7,354,166
Accrued Interest on FDR	**-**	1,981,784
	20,650,894	9,335,950

19 Income tax expenses

See accounting policy in note 27(d)

In Taka	*Note*	2016	2015
Current tax		**61,953**	3,232,583
		61,953	3,232,583

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20 Contingencies and commitments

See accounting policies in note 27(l).

20.1 Letter of credit

Outstanding L/C commitment at the reporting date are as follows:

In USD/Taka	2016		2015	
	USD	Taka	USD	Taka
DC DAK 539974	1,371,088	107,493,284	-	-
DC DAK 540033	77,557	6,080,469	-	-
DC DAK 541190	8,183	641,547	-	-
DC DAK 541191	74,000	5,801,600	-	-
DC DAK 600618	142,152	11,144,717	-	-
DC DAK 600629	132,000	10,348,800	-	-
DC DAK 600631	143,077	11,217,237	-	-
DC DAK 600633	60,477	4,741,397	-	-
DC DAK 600686	39,000	3,057,600	-	-
DC DAK 600714	706,105	55,358,661	-	-
DC DAK 600715	101,677	7,971,477	-	-
DC DAK 600717	20,000	1,568,000	-	-
DC DAK 600718	1,327,556	104,080,390	-	-
DC DAK 600719	17,488	1,371,059	-	-
DC DAK 600722	14,000	1,097,600	-	-
DC DAK 600724	21,310	1,670,704	-	-
DC DAK 600940	225,769	17,700,290	-	-
DC DAK 600720	13,991	1,096,894	-	-
DC DAK 600944	33,150	2,598,960	-	-
DC DAK 600716	110,000	8,624,000	-	-
DC DAK 600628	275,000	21,560,000	-	-
	4,913,580	385,224,685		
DC DAK 601163		32,649,068		-
DC DAK 601159		19,127,060		-
		51,776,128		-
		437,000,813		-

20.1 Tax assessment for the assessment year 2015-2016

The Company has submitted tax return for the assessment year 2015-2016, which has been subject to the discretion of the DCT as per the notice dated 28 March 2016. There could be additional tax liability in case imposed by tax authority.

21 Particulars of employees

During the year ended 31 March 2016 there were 19 employees (2015: 0) who received salary of Tk 36,000 or above.

22 Subsequent events

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

23 Financial risk management

The management 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 it, 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. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

23.1 Credit risk

Credit risk is the risk of 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 and investment securities. Credit risk is mainly attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

(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:

In Taka	***Note***	**2016**	**2015**
Cash and cash equivalents	*10*	**425,229,254**	321,492,040
		425,229,254	321,492,040

b) Impairment losses

There were no impairment losses to be recognised for such instrument for the period.

23.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 March 2016		Contractual cash flows					
In Taka	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Share money deposit	810,474	810,474	-	810,474	-	-	-
Long-term liabilities	181,252,889	181,252,889	-	-	-	-	181,252,889
Intercompany payables	1,330,444	1,330,444	-	1,330,444	-	-	-
Payables	37,637,815	37,637,815	14,266,149	23,371,666	-	-	-
Accrued expense	15,366,940	15,366,940	15,366,940	-	-	-	-
	236,398,562	236,398,562	29,633,089	25,512,584	-	-	181,252,889

31 March 2015		Contractual cash flows					
In Taka	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Share money deposit	750	750	-	750	-	-	-
Long-term liabilities	-	-	-	-	-	-	-
Intercompany payables	2,282,283	2,282,283	-	2,282,283	-	-	-
Payables	-	-	-	-	-	-	-
Accrued expense	340,400	340,400	340,400	-	-	-	-
	2,623,433	2,623,433	-	2,283,033	-	-	-

23.3 Market risk

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

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a) Currency risk

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company based is as follows:

	31 March 2016 USD	31 March 2015 USD
USD term loan from HSBC	(1,635,145)	-
Net exposure	(1,635,145)	-

The following significant exchange rates have been applied.

	Year end spot rate	
	2016	2015
US Dollar	78.40	-

Sensitivity analysis

A reasonably possible strengthening (weakening) of foreign currency against Taka at 31 March would have effected the measurement of financial instruments denominated in a foreign currency and increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss		Equity, net of tax	
In Taka	Strengthening	Weakening	Strengthening	Weakening
31 March 2016				
USD (3% movement)	**(3,845,861)**	**3,845,861**	**(3,845,861)**	**3,845,861**
	(3,845,861)	**3,845,861**	**(3,845,861)**	**3,845,861**
31 March 2015				
USD (3% movement)	-	-	-	-
	-	-	-	-

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings and interest rates on fixed deposit receipt (FDR). The Company is not significantly exposed to fluctuation in interest rates as it has neither floating interest rate bearing financial liabilities nor has any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	Nominal amount	
In Taka	2016	2015
Fixed rate instruments		
Financial assets		
Investment in FDR	**310,867,345**	301,030,000
Financial liabilities		
Long-term liabilities	**181,252,889**	-
Variable rate instruments		
Cash at bank	**114,238,733**	20,462,040

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24 Related party transactions

(a) Parent and ultimate controlling party

HMCL Niloy Bangladesh Limited is a subsidiary of HMCL Netherlands B.V, which is a wholly owned subsidiary of HeroMoto Corp Limited. Therefore, HMCL Netherlands B.V is the parent of the Company and HeroMoto Corp Limited is the ultimate controlling party.

(b) Other related party transac

	Transaction values for the year/period ended 31 March		Balance outstanding as at 31 March	
In Taka	**2016**	**2015**	**2016**	**2015**
Others Niloy Motors Limited	**3,291,226**	**1,960,782**	**1,330,444**	**1,960,782**
Others Nitol Motors Limited	**321,500**	**321,500**	**-**	**321,500**
Purchase of goods/services Nitol Electronics	**560,396**	**-**	**560,396**	**-**
Purchase of goods/services Nitol Tours & Travels	**233,200**	**-**	**29,400**	**-**
Purchase of goods/services Nreach-Net (Pvt) Ltd.	**57,500**	**-**	**11,500**	**-**
Purchase of goods/services NITS Services (Pvt) Ltd.	**20,000**	**-**	**20,000**	**-**

25 Basis of measurement

The financial statements have been prepared on the historical cost basis except inventories which is measured at lower of cost and net realisable value on each reporting date.

26 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current resources of the Company provide sufficient fund to meet the present requirements of its existing business.

27 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:

A	Revenue	21
B	Finance income and finance costs	21
C	Foreign currency	22
D	Income tax	22
E	Property, plant and equipment	23
F	Intangible assets	24
G	Financial instruments	25
H	Share capital	26
I	Impairment	27
J	Provisions	28
K	Leases	28
L	Contingencies	29
M	Statement of cash flows	29
N	Reporting period	29

A Revenue

Revenue is recognised when products dispatched to customers, i.e., when the significant risk and rewards of ownership has been transferred to distributors. Niloy Motors Limited is the only and exclusive distributor for HMCL Niloy Bangladesh Limited according to Joint Venture agreement of the Company. As a result revenue will be recognised in the point of product transfer to Niloy Motors warehouse just after completion of the manufacturing process.

B Finance income and finance costs

The Company's finance income and finance costs include:

- interest income from fixed deposit receipt (FDR)

- interest expense from long term loans

Interest income or cost is recognised using the effective interest method. As per IAS-23 the finance costs directly attributable to the acquisition and construction of the factory and plant and machineries during the construction period are included in the cost of the asset.

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C Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the long term loan (detonated in foreign currency) is recognised as an addition to Property, plant and equipment.

D Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit and loss except to the extent that relates to an item recognised directly in equity or in other comprehensive income (OCI).

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

As per Income Tax Ordinance 1984, minimum tax provision is 0.3% on gross receipt as per section 16CCC. The applicable tax rate for the Company is currently 35% (private limited company) in respect of income.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

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Deferred tax assets are recognised for unused tax losses, unused 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 used. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

E **Property, plant and equipment**

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self constructed asset includes the cost of material, direct labour and any other cost directly attributable to bringing the assets to a working condition for their intended use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values of 5% using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. 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. Depreciation is charged for the full month in the month of acquisition and no depreciation is charged in the month of disposal or retirement.

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The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

• Computers and electrical equipment	3 years
• Furniture and fixtures	10 years
• Motor Vehicles	6 years
• Office equipment	5 years
• Plant and Machineries	10 years

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

iv. Retirement and disposals

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

v. Capital work in progress

Property, plant and equipment that is in the process of construction/acquisition/import is accounted for as capital work in progress until construction/acquisition/import is completed and measured at cost. The expenditure capitalised under this head is for the construction of factory building along with the acquisition and installation of plant and machineries. All expenses including borrowing costs, incurred for the construction of the building and the installation of the machineries until it is converted into working condition are recorded under this head.

F Intangible assets

i. Recognition and measurement

Intangible assets, including software, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, from the month of purchase, and is generally recognised in profit or loss. Goodwill is not amortised. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The estimated useful life of computer software is 3 years.

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G Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

i. Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii. Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand and cash at bank which form an integral part of the Company's cash management.

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Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

iii. Non-derivative financial liabilities – measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Intercompany payables
Intercompany payables are comprised of balances that remain outstanding at year end arising from transactions with other entities that are sister concern to Nitol Motors Ltd (Shareholder). These are recognised initially at fair value.

Payables
Payables are recognised initially at fair value. Subsequent to initial recognition, trade payables are stated at amortised cost using the effective interest method. Other payables includes any amounts outstanding to suppliers/contractors of machineries and equipment, professional and legal fees in relation to factory construction and withholding VAT and tax payables.

Long term liabilities
Interest bearing loans includes long term bank loans. These are recognised initially at fair value less attributable transaction costs. These loans have a moratorium period of 1 year, and any interest charged during this period is to be paid immediately with no change to its principal amount. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

H Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with BAS 12.

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I Impairment

i. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

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II. Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

J Provisions

Provisions are recognised at the reporting date if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

K Leases

I. Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

II. Leased assets

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

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III. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

L Contingencies

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

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 should 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.

M Statement of cash flows

The net cash flow from operating activities is determined by adjusting profit/loss for the year under indirect method as per BAS 7.

N Reporting period

The financial year of the Company covers one year from 1 April to 31 March and is followed consistently. These financial statements cover period from 1 April 2015 to 31 March 2016.

28 Standards issued but not yet effective

The Institute of Chartered Accountants of Bangladesh (ICAB) has adopted following new standards and amendments to standards during the year 2015. All previously adopted reporting standards are consistently applied by the Company to the extent relevant for the Company.

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New standards	Summary of the requirements	Possible impact on financial statements
BFRS 9 Financial Instruments	BFRS 9, published in July 2014, replaces the existing guidance in BAS 39 Financial Instruments: Recognition and Measurement. BFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from BAS 39. BFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of BFRS 9.
BFRS 14 Regulatory Deferral Accounts	BFRS 14 specify the financial reporting requirements for regulatory deferral account balance that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. BFRS 14 is effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.	None. The Company does not perform any activity that is subject to rate regulation.
BFRS 15 Revenue from Contracts with Customers	BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including BAS 18 Revenue, BAS 11 Construction Contracts and BFRIC 13 Customer Loyalty Programmes. BFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of BFRS 15.
Agriculture: Bearer Plants (amendments to BAS 16 and BAS 41)	These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of BAS 16 Property, Plant and Equipment, instead of BAS 41 Agriculture. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.	None. The Company does not have any bearer plants.

29 Comparatives

Comparative information have been disclosed in respect of 2015 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

To facilitate comparison, certain relevant balances pertaining to the previous year have been rearranged/restated/reclassified whenever considered necessary to conform to current period's presentation.

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