

AUDITORS' REPORT

&

**AUDITED FINANCIAL
STATEMENTS**

OF

**KHAN BROTHERS PP WOVEN BAG INDUSTRIES
LTD.**

KBG Tower, 15 Malibagh Chowdhurypara,
DIT Road, Dhaka- 1219.

FOR THE YEAR ENDED 30TH JUNE, 2022.



Sonargaon Terrace (2nd Floor), House # 52,
Road # 13/C, Block # E, Banani,
Dhaka- 1213, Bangladesh.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
KHAN BROTHERS PP WOVEN BAG INDUSTRIES LTD.**

Report on the Audit of the Financial Statements

DISCLAIMER OF OPINION

We have audited the financial statements of **Khan Brothers PP Woven Bag Industries Ltd.** (the "Company"), which comprise the Statement of Financial Position as at 30th June 2022 and Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the **Basis for Disclaimer of Opinion** section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements of the Company.

Basis for Disclaimer Opinion

1. The financial statement shows Inventories of Raw Materials Tk. 553,314,755, as shown in note # 5.00, which is being carried forward since last couple of years. Management of the company reasoned it as a consequence of cancellation of export orders from the buyers' end due to the global business disruption created during Covid-19 pandemic. Whereas we were not provided with satisfactory evidence and scope to verify and confirm the quantity and value of inventories shows in note # 21.06 due to the inadequate inventory recording system and disorganized inventory management system. We were also unable to obtain sufficient appropriate audit evidence in alternative approach to satisfy ourselves to provide our opinion and conclude that there are no undetected material misstatements in the financial statement in this regard due to the scope limitation.
2. The financial statement includes Inventories of Finished Goods Tk. 44,145,422 as shown in note # 05 of which Tk. 26,220,200 has been carried forward from last year and Tk. 17,925,222 has been finished from Work in Progress during the year under audit, which have been preserving by the company due to held up the shipment by buyers in consequence of global business disruption due to Covid-19 pandemic, as stated by the management against which no provision for impairment loss have been recognized by the company. Whereas we were not provided with satisfactory evidence to assuring the shipment in future as well as to verify the inventories due to the inadequate inventory recording system and disorganized inventory management system. We were also unable to obtain sufficient appropriate audit evidence in alternative approach to satisfy ourselves to provide our opinion, and conclude that there are no undetected material misstatements in the financial statement in this regard.



3. Cash and Cash Equivalent of the financial statement shows Fixed Deposits of Tk. 30,000,000 in Note # 08, lying with Peoples Leasing and Financial Services Ltd. since long in. The scam of that NBFI is widely known to all depositors and to the peoples in home and abroad, few months back it was circulated in the media that the liquidation proposal of Peoples Leasing and Financial Services Ltd. has approved by the Government. As such probability of realization of the amount is remote but no provision for Impairment loss of the financial instrument have been recognized by the company as per IFRS-9.
4. The financial statement shows Export Bills Receivable Tk. 62,212,203 as on 30 June 2022 in note # 06, which have been carried forward from last year, against which no provision for bad debts have been created in the financial statements. The management of the company elucidated that the proceeds have been retained by the buyers due to their business loss in consequence of the business disruption for Covid-19 pandemic, but they are highly expecting to realize that shortly. Whereas we were not produced with any satisfactory evidence to authenticate realization of the same and we were also unable to obtain sufficient appropriate audit evidence in alternative approach to satisfy ourselves to provide our opinion, and conclude that there are no undetected material misstatements in the financial statement in this regard.
5. The financial statement shows turnover of 91,064,046 during the year whereas bank statement produced to us by the company shows deposits of Tk. 37,770,000 only in company's bank accounts during the year under audit. Moreover, we were not provided with satisfactory evidence to verify those transactions and we were also unable to obtain sufficient appropriate audit evidence in alternative approach to satisfy ourselves to provide our opinion, and conclude that there are no undetected material misstatements in the financial statement in this regard.

Matter of Emphasis:

1. The financial statement shows turnover of Tk. 91,064,046 as local sell and Sub Contact Revenue during the year under audit but VAT returns have been submitted showing Zero value without paying any VAT for which we were not provided with any satisfactory evidence to justify the reasons. This is simply a non-compliance of the VAT rules and aviation of VAT.
2. The financial statement shows Tk. 140,887,199 against value of 4.615 acres' of factory land under Land and Development. During our visit to factory we observed that there is no separate periphery/demarcation of the factory premises of the company. We observed that three (3) factory namely i) Khan Brothers PP Woven Bag Industries Ltd., ii) Khan Brothers Bag Industries Ltd. And iii) Khan Brothers Marble & Granite Ltd are established within the common boundary. As such we were unable to confirm whether the physical possession of the said land is lying to the company or not. We were also not shown the original copies of the land ownership documents, charge document, khazna receipts etc to ensure complete ownership of the land.



3. To the best of our understanding the company is running through subcontract works on cancellation of export orders. Recovery from the finished goods and raw materials as showing in the financial statements is looking very remote and insignificant. The company is suffering from severe working capital crisis which has laid down the company's dependency on the related party subcontract works. All those have ultimately created going concern threats to the company though the financial statement of the company has prepared considering it as a going concern, but we were not provided with any written management plan to effectuate and ensuring this. Notwithstanding our opinion on the financial statements, we would recommend to set up proper management plan in this regard ensuring going concern of the entity.

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 judgment, 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.

Description of key audit matters	Our response to key audit matters
Valuation of Property, Plant and Equipment (PPE)	
<p>The carrying value of the PPE amounted to BDT 546,075,159 as at 30th June 2022. The valuation of PPE was identified as a key audit matter due to the significance of this balance to the financial statements.</p> <p>Expenditures are capitalized if they create new or enhance the existing assets, and expensed if they relate to repair or maintenance of the assets. Classification of expenditures involves judgment. The useful lives of PPE items are based on management's estimates regarding the period during which the asset or its significant components will be used. The estimates are based on historical experience and market practice and take into consideration the physical condition of the assets.</p>	<p>Our audit included the following procedures:</p> <ul style="list-style-type: none"> • We reviewed the opening balances of PPE which was audited by another auditors including assessed the addition during the year under our audit, checked the related accounting treatment and associated deferred tax as recognized by the company. • We assessed whether the accounting policies in relation to the capitalization of expenditures are in compliance with IFRS and found them to be consistent; • We obtained a details of capital expenditures incurred during the year and, on a sample basis, checked whether the items were procured based on internal purchase order that had been properly approved by the responsible individuals;





	<ul style="list-style-type: none"> • We evaluated whether the useful lives determined and applied by the management were in line with historical experience and the market price; • We checked whether the depreciation of PPE items were commenced timely, by comparing the date of the classification from capital in progress to ready for use, with the date of the act of completion of the work. • We have visited the factory and observe the fixed assets but management could not produce any register, statements of those to cross check physically. <p>[See note number 3.00 for details]</p>
<p>Impairment of Property, Plant and Equipment</p>	
<p>The economic climate and levels of competition remain challenging for the Company. The Company has completed a Strategic Review and as a result has decided to close or curtail some of its operations. There is therefore a risk that the impairment charge may be misstated.</p> <p>Determining the level of impairment involves forecasting and discounting future cash flows and estimation of recoverable amounts which are inherently uncertain. This is one of the key judgmental areas that our audit has concentrated on.</p>	<p>The economic climate and levels of competition remain challenging for the Company. The Company has completed a Strategic Review and as a result has decided to close or curtail some of its operations. There is therefore a risk that the impairment charge may be misstated.</p> <p>Determining the level of impairment involves forecasting and discounting future cash flows and estimation of recoverable amounts which are inherently uncertain. This is one of the key judgmental areas that our audit has concentrated on.</p> <ul style="list-style-type: none"> • Fixtures and fitting within the premises which had either been closed or were identified by the Company for closure – we critically assessed the Company’s identification of assets that were obsolete, using our experience of the Company and review of historical experience, whether such assets have any recoverable value; • Land and buildings which had been identified as surplus to requirements, or where development plans had been aborted – We considered whether such assets had been written off or impaired where necessary down to their recoverable amounts. • We have also considered the adequacy of the Company’s disclosures about the degree of estimation involved in the determining the amount of impairment and the sensitivity to key assumptions involved.



Measurement of Deferred Tax Assets	
<p>The Company reported net deferred tax assets to totaling BDT as at 30,365,508.</p> <p>Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.</p>	<ul style="list-style-type: none"> • We obtained an understanding, evaluated the design and tested the operational effectiveness of the company over the recognition and measurement and the assumptions used in estimating the future taxable income. • We also assessed the completeness and accuracy of the data used for the estimations of future taxable income. • We involved our tax expertise to assess key assumptions, controls, recognition and measurement of Taxes. • Finally, assessed the appropriateness and presentation of disclosure against IAS 12 Income Tax. <p>[See note number 13.00 for details]</p>
Revenue Recognition	
<p>At year end the Company reported total revenue of BDT 91,064,046, comprising with Local Sells Tk. 614,500 and Subcontract Income Tk. 90,449,546.</p> <p>Revenue is measured net of discounts, incentives and rebates earned by customers on the Company's sales.</p>	<p>We have tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> • Calculation of discounts, incentives and rebates; • Segregation of duties in invoice creation and modification; and • Timing of revenue recognition. <p>Our substantive procedures in relation to the revenue recognition comprises the following:</p> <ul style="list-style-type: none"> • Obtaining supporting documentation for sales transactions recorded either side of year end as well as credit notes issued after the year end date to determine whether revenue was recognized in the correct period; • Critically assessing manual journals posted to revenue to identify unusual or irregular items; and • Finally assessed the appropriateness and presentation of disclosure against relevant accounting standards. <p>[See note number 20.00 for details]</p>



Employee Benefits	
<p>(a) Short-term employee benefits, such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:</p> <ul style="list-style-type: none"> (i) wages, salaries and social security contributions; (ii) paid annual leave and paid sick leave; (iii) profit sharing and bonuses; and (iv) non-monetary benefits (such as medical care, housing, cars and free of subsidized goods or services) for current employees; <p>(b) Other long-term employee benefits, such as following:</p> <ul style="list-style-type: none"> (i) long-term paid absences such as long-service leave. (ii) jubilee or other long-service benefits; and (iii) long-term disability benefits; and <p>(c) Termination benefits</p>	<p>The objectives of this standard are to prescribe the accounting and disclosure for employee benefits. The standard requires an entity to recognize;</p> <ul style="list-style-type: none"> (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Other information

Management is responsible for the other information. The other information comprises all of the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditors' 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (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 International Standards on Auditing (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 International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the company's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

We have not come across any other key audit issue for the year under audit, and as such nothing is reportable.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, the Securities and Exchange Rules 1987 and relevant notifications issued by Bangladesh Securities and Exchange Commission, notwithstanding our disclaimer of an opinion on the financial statements, to pervasive limitation describe under the basis of disclaimer of opinion, we also report that:

- ▶ We have not obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ▶ In our opinion, proper books of accounts, records and other statutory books as required by law except for those mentioned under the basis of disclaimer of opinion, have been kept by the Company so far as it appeared from our examinations of those books and proper returns adequate for the purpose of our audit;
- ▶ The statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are not in agreement with the books of account and returns;
- ▶ The expenditures incurred were for the purpose of the Company's business.

10 Nov 2022
Dhaka, Bangladesh



Md. Harun Or Rashid FCA (697)
Engagement Partner
ARTISAN
Chartered Accountants
DVC: 2211230697AS118963




KHAN BROTHERS PP WOVEN BAG INDUSTRIES LTD.
STATEMENT OF FINANCIAL POSITION
As on June 30, 2022

Particulars	Notes	Amount in Taka	
		30 June 2022	30 June 2021
ASSETS:			
Non -Current Assets (A)			
Property, Plant and Equipments	3	511,814,855	546,075,159
Investment in Share	4	1,050,000	1,050,000
Total Non -Currents Assets		512,864,855	547,125,159
Current Assets (B)			
Inventories	5	597,555,933	599,505,432
Trade and other Receivables	6	62,400,730	62,887,220
Advances, Deposits & Pre-Payments	7	11,938,689	39,627,308
Cash and Cash Equivalents	8	63,497,454	83,557,764
		735,392,807	785,577,724
Total Assets (A+B)		1,248,257,662	1,332,702,883
EQUITY AND LIABILITIES:			
Shareholder's Equity (C)			
Share Capital	9	980,798,770	980,798,770
Revaluation Reserve	10	88,815,155	88,999,254
Retained Earnings	11	101,002,773	132,611,274
Total shareholders' Equity		1,170,616,698	1,202,409,297
LONG TERM LIABILITIES (D)			
Long term loan	12	18,594,871	17,763,578
Deferred Tax Liability	13	30,365,508	29,162,172
Total Long Term Liabilities		48,960,379	46,925,750
Current Liabilities (E)			
Trade and other Payables	14	125,777	213,025
Short term Bank loan	15	8,605,868	59,924,786
Accrued Expenses	16	4,560,925	2,147,570
IPO Application Fund	17	-	5,765,858
Provision for Taxation	18	13,682,984	13,731,022
Dividend Payable	19	1,705,031	1,585,574
Total Current Liabilities		28,680,585	83,367,835
Total Shareholder's Equity and Liabilities (C+D+E)		1,248,257,662	1,332,702,883
Net Asset Value Per Share including Revaluation Surplus	28	11.94	12.26
Net Asset Value Per Share excluding Revaluation Surplus	28	11.03	11.35

The annexed notes form an integral part of this Statement of Financial Position


Director


Chief Financial Officer


Managing Director



Company Secretary


Chairman

Signed in terms of our separate report of even date annexed.

Place: Dhaka
Dated: 10 Nov, 2022




Md. Harun Or Rashid, FCA (697)
Engagement Partner
ARTISAN
Chartered Accountants
DVC: 2211230697AS118963

KHAN BROTHERS PP WOVEN BAG INDUSTRIES LTD.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 For the Year ended 30 June, 2022

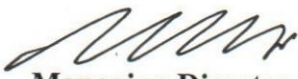
Particulars	Notes	Amount in Taka	
		30 June 2022	30 June 2021
Revenue			
Turnover/Sub-Contract Revenue	20	91,064,046	212,080,445
Less: Cost of Sales/Service	21	80,246,756	187,646,057
Gross Profit		10,817,290	24,434,388
Operating Expenses:		19,670,449	30,250,107
Administrative Expenses	22	18,143,428	26,483,509
Marketing, Selling and Distribution Expenses	23	1,527,020	3,766,598
Operating Profit/(Loss)		(8,853,159)	(5,815,719)
Add: Non Operating Income	26	1,870,731	1,555,306
Less : Financial Expenses	24	8,886,754	7,748,418
Net Income/ (Loss) before Tax		(15,869,182)	(12,008,832)
Provision for Income Tax	25	2,217,403	2,977,049
Current Tax	18	1,014,067	1,661,309
Deferred Tax	13	1,203,336	1,315,740
Net Profit/ (Loss) after Tax		(18,086,585)	(14,985,881)
Earnings Per Share	27	(0.18)	(0.15)

The annexed notes form an integral part of this Statement of Profit or Loss & Other Comprehensive Income


 Chief Financial Officer


 Company Secretary


 Director


 Managing Director


 Chairman

Signed in terms of our separate report of even date annexed.

Place: Dhaka
 Dated: 10 Nov, 2022




Md. Harun Or Rashid, FCA (697)
 Engagement Partner

ARTISAN
 Chartered Accountants

DVC: 2211230697AS118963

KHAN BROTHERS PP WOVEN BAG INDUSTRIES LTD.
STATEMENT OF CHANGES IN EQUITY

For the Year ended 30 June, 2022

Particulars	Share Capital	Revaluation Reserve	Retained Earnings	Total
Balance as on 01 July, 2021	980,798,770	88,999,254	132,611,274	1,202,409,297
Net Income for the year	-	-	(18,086,585)	(18,086,585)
Dividend for the year	-	-	(13,706,014)	(13,706,014)
Dep. on Revaluation Surplus	-	(184,098)	184,098	-
Balance as on 30 June, 2022	980,798,770	88,815,155	101,002,773	1,170,616,698

KHAN BROTHERS PP WOVEN BAG INDUSTRIES LTD.
STATEMENT OF CHANGES IN EQUITY


For the Year ended 30 June, 2021

Particulars	Share Capital	Revaluation Reserve	Retained Earnings	Total
Balance as on 01 July, 2020	980,798,770	89,201,405	161,101,017	1,231,101,192
Net Income for the year	-	-	(14,985,881)	(14,985,881)
Dividend for the year	-	-	(13,706,014)	(13,706,014)
Dep. on Revaluation Surplus	-	(202,151)	202,151	-
Balance as on 30 June, 2021	980,798,770	88,999,254	132,611,274	1,202,409,297


 Chief Financial Officer


 Company Secretary


 Director


 Managing Director


 Chairman

Signed in terms of our separate report of even date annexed.

Place: Dhaka

Dated: 10 Nov, 2022



 Md. Harun Or Rashid, FCA (697)

Engagement Partner

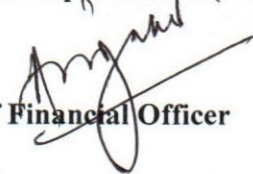
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Chartered Accountants

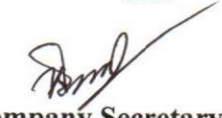
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KHAN BROTHERS PP WOVEN BAG INDUSTRIES LTD.
STATEMENT OF CASH FLOWS
For the Year ended 30 June, 2022

Particulars	Amount in Taka	
	30 June, 2022	30 June, 2021
A. Cash Flows from Operating Activities :		
Collection from Turnover	91,550,536	212,171,888
Payment to suppliers and creditors for expenses	(34,450,035)	(164,619,516)
Payment for Financial Expenses	(8,886,754)	(7,748,418)
Payment for Income Tax	(1,062,106)	(2,000,000)
Add: Receipt From Other Sources	1,840,988	1,491,195
Add: Gain/(Loss) on Foreign Currency Fluctuation	29,743	64,110
Net cash generated from operating activities	49,022,372	39,359,260
B. Cash flow from Investing Activities:		
Acquisition of Property, Plant & Equipment	-	(28,575,415)
Net cash used in Investing Activities	-	(28,575,415)
C. Cash flow from Financing Activities:		
Receipts from ordinary shares issued	-	-
Payment of Cash Dividend	(13,220,604)	(12,498,900)
Payment of Unclaimed Dividend to Capital Market Stabilization Fund	(365,953)	
Payment of IPO Fund to Capital Market Stabilization Fund	(5,008,500)	
Short term loan Received/(Re-paid)	(51,318,918)	(5,471,304)
Long term loan Received/(Re-paid)	831,293	129,651
Net cash used in financing activities	(69,082,682)	(17,840,553)
D. Increase/ (Decrease) in Cash and Cash Equivalent (A+B+C)	(20,060,310)	(7,056,707)
E. Opening Cash and Cash Equivalent	83,557,764	90,614,471
F. Ending Cash and Cash Equivalent (D+E)	63,497,454	83,557,764
Net Operating Cash flows per Shares (NOCFPS)	0.50	0.40


Chief Financial Officer


Director


Company Secretary


Managing Director


Chairman

Signed in terms of our separate report of even date annexed.




Md. Harun Or Rashid, FCA (697)
Engagement Partner
ARTISAN
Chartered Accountants
DVC: 2211230697As118963

KHAN BROTHERS PP WOVEN BAG INDUSTRIES LTD.**Notes to the Financial Statements**

As at and for the year ended June 30, 2022

1.00 Corporate History of the Reporting Entity**1.01 Legal Status of the Entity**

Khan Brothers PP Woven Bag Industries Ltd. (The Company) was incorporated in Bangladesh as a Private Limited Company under The Companies Act, 1994 vide Registration No. C-61800(3809)/2006 dated 18 May, 2006 subsequently converted into a public limited company vide special resolution dated 26.10.2011. The company applied for Initial Public Offering and consent has been accorded by Bangladesh Securities and Exchange Commission vide their letter no. SSC/CI/IPO-208/2012/447 dated 24 June 2014. The company is listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) and its shares are traded in the regular market.

1.02 Corporate Business

The Company's main business is to manufacture of different types PP Woven Bag, FIBC bag, Jumbo bag, HDPE Bag, LDPE Bag, Liner, Multi-layer Sack Kraft Paper and selling them in local and the international market.

2.00 Basis of preparation, presentation and disclosures of financial statements**2.01 Statement of Compliance**

The financial statements have been prepared under historical cost convention on a going concern assumption following accrual basis of accounting in accordance with the International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), The Companies Act 1994 and Securities and Exchange Rules, 1987.

2.02 Other regulatory compliances

In addition the Company also complied with the following laws and regulations.

The Income Tax Ordinance, 1984

The Income Tax Rules, 1984

The Value Added Tax Act, 1991

The Value Added Tax Rules, 1991

The Customs Act 1969

2.03 Corporate Financial Statements and Reporting

This comprises Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and explanatory notes and disclosures covering accounting policies.

The Board of Directors are responsible for preparing and presenting the financial statements including adequate disclosures, who approved and authorized for issue of this financial statements. The preparation of the financial statements in conformity with the International Accounting Standards (IASs) requires Board of Directors to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and assets and liabilities at the reporting date. Uncertainty involved in making estimates and actual result reported might differ from those estimates.

2.04 Fundamental Accounting Concepts/ Assumption

The financial statements have been prepared under historical cost concept, based on going concern assumption, under Accrual basis and such other convention as required by IAS-1 for fair presentation of financial statements.



2.05 Going Concern

The company has adequate resources to continue in operation for the foreseeable future. The current credit facilities and resources of the company provides sufficient fund to meet the present requirements of its existing business. For this reasons the directors continue to adopt going concern basis in preparing the financial statements.

2.06 Reporting Period

The period of the financial statements covered the period from July 01, 2021 to June 30, 2022 of the following year.

2.07 Provisions, Contingent Liabilities and Contingent Assets

In accordance with the guidelines as prescribed by IAS-37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognized in the following situations:

- a. When the company has an obligation (legal or constructive) a sufficient provision supposed to be kept;
- b. When it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- c. Reliable estimates can be made of the amount of the obligation.

2.08 Events after the Reporting Period

In compliance with the requirements of IAS 10: Events After the Reporting Period, post statement of financial position events that provide additional information about the company's position at the reporting date are reflected in the financial statements and events after the reporting period that are not adjusting events are disclosed in the notes when material.

2.09 Functional and Presentational (Reporting) Currency

The financial statements are prepared and presented in Bangladesh Currency (Taka), which is the company's functional currency. All financial information presented have been rounded off to the nearest Taka except where indicated otherwise.

Figures in brackets indicated negative balance.

2.1 Comparative Information and Rearrangement Thereof

Comparative figures have been re-arranged wherever considered necessary to ensure better comparability with the current period without causing any impact on the profit and value of assets and liabilities as reported in the financial statements.

2.11 Principal Accounting Policies

The specific accounting policies selected and applied by the company's directors for significant transactions and events that have material effect in preparation and presentation of financial statements within the framework of IAS-1 "Presentation of Financial Statements", have been consistently applied throughout the year and were also consistent with those used in earlier years.

For a proper understanding of the financial statements, these accounting policies are set out below in one place as prescribed by the IAS-1 "Presentation of Financial Statements". The recommendations of IAS-1 relating the format of financial statements were also taken into full consideration for fair presentation:

IAS 1 Presentation of Financial Statements

IAS 2 Inventories

IAS 7 Statement of Cash Flows

IAS 8 Accounting Policies Changes in Accounting Estimate and Errors

IAS 10 Events after the Reporting Period

IAS 12 Income Taxes

IAS 16 Property Plant & Equipment

IFRS 9 Financial Instruments

IAS 19 Employees Benefits



IAS 21 The Effect of Changes in Foreign Exchange Rate
 IAS 23 Borrowing Cost
 IAS 33 Earnings Per Share
 IAS 36 Impairment of Assets
 IAS-37 Provisions, Contingent Liabilities and Contingent Assets,
 IFRS 8 Segment Reporting's
 IFRS 15 Revenue from contract with customers

The other related BFRSs are also complied for the preparation of these financial statements.

2.12 Property, Plant & Equipment (PPE)

These are stated at cost and revalued amount less accumulated depreciation. The cost of acquisition comprises of purchase price, including import duties and non-refundable Taxes and any directly attributable cost of bringing the assets to its working condition for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the PPE, the expenditure is capitalized as an additional cost of the PPE.

On retirement or otherwise disposal of PPE, the cost and accumulated depreciation are eliminated and any gain or loss on such disposal is reflected in the income statement which is determined with reference to the net book value of PPE and the net sales proceeds.

2.13 Revaluation of Property, Plant & Equipment (PPE)

PPE have been stated at revalued amounts in accordance with IAS 16 Property, Plant & Equipment.

i) Effective date of revaluation to the financial Statements 30.06.2010

ii) Land & Land Developments, Building (Factory), Plant & Machinery and Generator & Electric Equipment has been revalued by **G.KIBRIA & CO.** Chartered Accountants, an independent value.

Revaluation surplus of Tk. 97,975,485 has been transferred to Revaluation Reserve and distribution of such surplus to the shareholders is restricted.

2.14 Depreciation

Depreciation on Property, Plant & Equipment other than Land and land development has been computed during the year using the reducing balance method so as to write off the assets over their expected useful life. Depreciation has been charged on additions on the basis of when it is available for use.

After considering the useful life of PPE as per IAS-16, the annual depreciation rates have been applied as under which is considered reasonable by the management.

Particulars	30-Jun-22	30-Jun-21
Land and Land Development	0%	0%
Building and other Constriction	5%	5%
Plant and Machinery	10%	10%
Generator and Electric Equipment	15%	15%
Motor Vehicle	20%	20%
Office Decoration and Fittings	10%	10%
Furniture and Fixture	10%	10%

2.15 Impairment of assets

All assets have been reviewed and it was confirmed that no such assets have been impaired during the year and for this reason no provision has been made for impairment of assets.



2.16 Revenue Recognition

Revenue has been recognized as per IFRS 15: Revenue from contract with customers under 05 (five) step approach of recognizing revenue. According to the core principal of IFRS15, the entity has recognized revenue to the depict transfer of promise goods or service to custom in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchanging for those goods or services.

05 (five) step approach applied are as follows:

- i. Identify the contract
- ii. Identify the separate performance obligation
- iii. Determine the transaction price
- iv. Allocate the price to the performance obligations
- v. Recognize revenue.

2.17 Accrued Expenses and Other Payables

Liabilities are recognized for the goods and services received, whether paid or not for those goods and services.

2.18 Inventories

Inventories comprise of raw materials, finished yarn, stores, spares & packing materials, store- in – transit and work – in – process. They are stated at the lower of cost and net realizable value in accordance with IAS 2 “Inventories” after making due allowance for any obsolete or slow moving item. The costs of inventories are assigned by using weighted average cost formula. Net realizable value is determined after deducting the estimated cost of completion and/or cost to be incurred for effecting the sale from sales price.

2.19 Income Tax

Provision for Tax

A provision for Taxation @ 0.60% on Turnover due to incurring loss by the company during the year under audit.

Deferred Tax

Deferred tax liabilities are the amount of income taxes payable in future years in respect of taxable temporary differences. Deferred tax assets are the amount of income taxes recoverable in future years in respect of deductible temporary differences. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or subsequently enacted at the financial statement date. The company has recognized Deferred Tax as per provision of IAS-12 (Income Taxes).

2.20 Statement of Cash Flows

Statement of Cash Flows is prepared principally in accordance with IAS-7 “Statement of Cash Flow” and the cash flows from the operating activities have been presented under direct method.

2.21 Borrowing Costs

Financial Expenses (Borrowing Costs) incurred during the year was recognized as revenue expenses in accordance with IAS-23 “Borrowing Cost”.

2.22 Foreign currency transactions

The financial statements are presented in Taka/Tk./BDT, which is company's functional currency. Transactions in foreign currencies are recorded in the books at the exchange rate prevailing on the date of the transaction. Assets and liabilities outstanding at 30 June 2021 denominated in foreign currencies have been shown in Taka at the rate in terms of foreign currencies ruling on the statement of financial position date. Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in statement of profit or loss and other comprehensive income as per IAS 21: The Effects of Changes in Foreign Exchange Rates.

2.23 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.



2.23.1 Financial Assets

Financial assets of the company include cash and cash equivalents, equity instrument of another entity, trade receivable and other receivables. The company initially recognizes receivable on the date they are originated. All other financial assets are recognized initially on the date at which a contractual right is created to receive cash or another financial asset from another company. The company derecognizes a financial asset when and only when contractual rights or probabilities of receiving the cash flows from the assets expire or it transfer the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and reward of ownership of the financial assets are transferred.

Cash and Cash Equivalents

According to IAS 7 'Statement of Cash Flows ' cash comprises of cash in hand, demand deposits and cash equivalents which are short term highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value. IAS 1 "Presentation of Financial Statements" provides that Cash and Cash Equivalents are not restricted in use. Considering the provision of IAS 7 & IAS 1, Cash in Hand & Bank Balances including FDR have been treated as Cash and Cash Equivalents.

Available for Sale of Financial Assets

During the year the company had no financial asset for sale.

Trade and other Receivables

Trade Receivable is measured at fair value without making any provision for doubtful debts, because of the fact that sales / export are based on 100% confirmed letter of credit with fixed maturity date.

2.23.2 Financial liabilities

The company initially recognizes financial liabilities on the transaction date at which the company becomes a party to the contractual provisions of the liability. The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. Financial liabilities are recognized initially at fair value less any directly attributable transactions costs. Subsequently to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities include loan and borrowing, trade creditors, liabilities for expenses and liabilities for other finance.

2.24 Employee Benefit Plan

The company maintains defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds.

The company has accounted for and disclosed employee benefits in compliance with the provisions of IAS 19: Employee Benefits.

The cost of employee benefit is charged off as revenue expenditure in the period to which the contributions relate.

The company's employee benefits include the following:

a) Short Term Employee Benefits

Short-term employee benefits include salaries, bonuses etc. Obligations for such benefits are measured on an undiscounted basis and are expensed as the related service is provided.

b) Workers Profit Participation Fund, Welfare Fund and Workers Welfare Foundation Fund

The Company makes a regular allocation of 5% on net Profit before tax and after charging of such WPPF to these funds and payment is made to the workers as per provisions of Labor Act 2006 as amended in 2013.

2.25 Related Party Disclosures

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

During the year the company did not have any transactions with related party other than payment to directors disclosed in note # 23.01 and 23.02 to the financial statements.



2.26 Segment Reporting

No segmental reporting is applicable for the company as required by IFRS 8: "Segment Reporting" as the company operates in a single industry segment. Though the company has some local sale but this is very insignificant as such the geographical territory has also been considered single.

2.27 Earnings Per Share

This has been calculated in compliance with the requirements of IAS 33 Earnings Per Share has been calculated by the profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the period and retrospective effect has also been given for calculation of previous year earnings as well to conform the current year presentation.

2.28 Non-operating Income

Non-Operating income includes the interest income of IPO Fund, Interest on FDR and gain/ loss from foreign currency transactions.

2.29 General

- a) The figures appearing in these financial statements are expressed in Taka currency and rounded off to the nearest Taka.
- b) Previous year's figures have been rearranged, where necessary, to conform to current year's presentation.



Amount in Taka	
30 June 2022	30 June 2021

3.00 Property, Plant and Equipments: Tk. 511,814,855

This includes the written down value as on 30 June, 2022. Break up of the PPE is as follows :

Land & Land Development	140,887,199	140,887,199
Building & Other Construction	158,077,251	166,397,107
Plant & Machinery	184,563,904	205,071,005
Generator & Electric Equipment	10,936,397	12,866,350
Motor Vehicle	11,344,359	14,180,449
Office Decoration & Fittings	4,520,623	5,022,915
Furniture & Fixture	1,485,121	1,650,135
Total	511,814,855	546,075,159

Fixed assets have been physically verified by management as at the balance sheet date.

Details of PPE has been given in Annexure-'A'

The property, plant and equipment of the company has been pledged as security against loan with Jamuna Bank Ltd, Shantinagar Branch, Dhaka.

4.00 Investment in Share: Tk. 1,050,000

This includes the investment made in shares of associate companies under Khan Brothers Group as following:

Khan Brothers Knitwear Industries Ltd.	10,000 Shares	1,000,000	1,000,000
Khan Brothers Group of Industries Ltd.	500 Shares	50,000	50,000
Total		1,050,000	1,050,000

This represents the face value of shares held by Khan Brothers PP Woven Bag Industries Ltd.

5.00 Inventories Tk. 597,555,933

Break-up of this item is as follows:

Finished Goods	44,145,422	26,220,200
Raw Materials	553,314,755	553,314,755
Working-in-process	-	17,925,222
Store Materials	95,756	2,045,255
Total	597,555,933	599,505,432

The above Inventories are as per physical counting made by the inventory team of management staff, valued and certified by management. Inventories in hand have been valued at lower of cost and net realizable value as per IAS-2. All Inventories are hypothecated against financial facilities enjoying form banks and imported under bonded facilities.

6.00 Trade and other Receivables: Tk. 62,400,730

Break-up of this item is as

Export Bills Receivable	62,212,203	62,212,203
Khan Brothers Bag Industries Ltd.	143,450	-
Ashirbad Syndicate	10,820	254,000
Bombay Sweets & Co.		114,500
Kazi Agro	11,725	87,452
Mehera Corporation	13,912	124,500
S N Traders	8,620	94,565
Total	62,400,730	62,887,220

These are considered good.



6.01 Ageing of Receivables: Tk. 62,400,730

Dues up to 60 days	188,527	675,017
Dues Over 60 days	62,212,203	62,212,203
Total	62,400,730	62,887,220

6.02 The classification of receivables as required by the schedule XI of the Companies Act, 1994 are given below:

Receivable considered good in respect of which the company is fully secured.	62,355,653	62,212,203
Receivable considered good in respect of which the company holds no security other than the debtor personal security.	45,077	675,017
Receivables considered doubtful bad.	-	-
Total	62,400,730	62,887,220

7.00 Advances, Deposits & Pre-Payments: Tk. 11,938,689

This consist of the following:

T & T Phone	8,000	8,000
Titas Gas	448,900	448,900
Pallibidyut	240,600	240,600
Advance Income Tax	10,566,189	10,278,807
CDBL-Security deposit	500,000	500,000
Advance against Purchase	120,000	27,240,501
Salary Advance	55,000	910,500
Total	11,938,689	39,627,308

Note- 7.01

7.01 Advance Income Tax Tk. 10,566,189

This consist of the following:

Opening Balance	10,278,807	8,964,903
Advance Tax on Export	-	1,056,786
Advance Tax on Import	-	-
Advance Tax on other Income (Interest Income)	4,167	8,538
Advance Tax on FDR Interest Income & others	283,215	248,580
Total	10,566,189	10,278,807

7.02 Disclosures as per Schedule-XI, Part-I of the Companies Act, 1994

Advance, Deposit & Pre-payments exceeding 6 Months and considered good and secured

Advance, deposit & Pre-payments considered good without security

Advance, deposit and pre-payments due by directors or others officers

Advance, Deposit & Pre-payments exceeding 6 Months and considered good and secured	11,763,689	1,197,500
Advance, deposit & Pre-payments considered good without security	-	37,519,308
Advance, deposit and pre-payments due by directors or others officers	175,000	910,500
Total	11,938,689	39,627,308

8.00 Cash and Cash Equivalents: Tk. 63,497,454

This consist of the following balances;

Cash in hand	864	16,831,747
Cash at Banks:		
Jamuna Bank Ltd.-CD-6233	-	-
Mutual Trust Bank Ltd.-CD-11251	8,106	1,130
Mutual Trust Bank Ltd.-STD-2508	13,184	5,288,426
Mutual Trust Bank Ltd.-FC-4399 (USD)	-	504,484
Mutual Trust Bank Ltd.-FC-4406 (POUND)	-	126,168
Mutual Trust Bank Ltd.-FC-4415 (EURO)	-	108,028
Mutual Trust Bank Ltd.-CD-0002-0210029939	1,693,965	1,574,651
FDR (Mutual Trust Bank & Jamuna Bank Ltd.)	31,781,335	29,123,130
FDR (People's Leasing And Financial Services Ltd.)	30,000,000	30,000,000
Total	63,496,590	66,726,017
Total	63,497,454	83,557,764



9.00 Share Capital: Tk. 980,798,770**30 June 2022** **30 June 2021**

This represents the followings:

Authorized Capital:

150,000,000 ordinary Shares of tk 10/= each

1,500,000,000 1,500,000,000

Issued Subscribed and Paid up Capital:

This amount consists as follows:

6,35,00,000 Ordinary shares of Taka 10/- each, fully paid up in cash

635,000,000 635,000,000

34,579,877 Ordinary Shares Issued as Bonus (Note: 09.01)

345,798,770 345,798,770

Total**980,798,770** **980,798,770****9.01 Bonus share Capital Tk. 345,798,770**

Opening Balance

34,579,877 Ordinary Shares Issued as Bonus (Note: 09.01)

345,798,770 345,798,770

Total**345,798,770** **345,798,770****9.02 The position of shareholders as on 30 June 2022 is as follows:**

Particulars of Investors	Number of Investors	Number of Shares	Percentage of Share Holding 2021-2022	Percentage of Share Holding 2020-2021
Sponsor	5	29,549,807	30.13%	30.13%
Directors other than Sponsor	-	-	-	-
General Public	6,971	41,431,409	42.24%	39.65%
Investor's A/c	-	-	-	-
Institutes	214	27,098,661	27.63%	30.23%
Total	7,190	98,079,877	100%	100%

9.03 Classification of Shareholders by Holding :

Holdings	Numbers of Holders		Shareholdings %	
	30 June 2022	30 June 2021	44742	30 June 2021
Less than 500 Shares	1,692	1,579	0.35%	0.35%
501 to 5,000	3,772	3,697	7.35%	6.88%
5,001 to 10,000	780	654	6.08%	5.20%
10,001 to 20,000	460	424	6.81%	6.74%
20,001 to 30,000	172	175	4.45%	4.31%
30,001 to 40,000	89	75	3.19%	2.28%
40,001 to 50,000	56	51	2.64%	2.03%
50,001 to 100,000	107	99	7.65%	7.13%
100,001 to 1,000,000	55	61	10.00%	8.40%
Over 1,000,000	7	7	51.48%	56.68%
Total	7,190	6,822	100%	100%

9.03 Market Price:

The shares of the company are listed with the Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. Quoted market price was Tk. 13.60 at Dhaka Stock Exchange Limited and Tk. 13.60 at Chittagong Stock Exchange Limited as on 30 June 2022.

10.00 Revaluation Reserve: Tk. 88,815,155

This is made up as follows:

Opening balance

88,999,254 89,201,405

Dep. On Revaluation Surplus (Net off Deferred Tax)

(184,098) (202,151)

Total**88,815,155** **88,999,254****11.00 Retained Earnings Tk. 101,002,773**

This is made up as follows:

Opening Balance

132,611,274 161,101,017

Net Income/ (Loss) for the year

(18,086,585) (14,985,881)

Dividend for the year

(13,706,014) (13,706,014)

Depreciation on Revaluation Surplus (Net off Deferred Tax)

184,098 202,151

Note:11.01

Closing Balance**101,002,773** **132,611,274**

11.01 Depreciation on Revaluation Surplus (Net off Deferred Tax)

Excess Depreciation of Revaluation Reserve	216,586	237,825
Less: Deferred Tax (15%)	32,488	35,674
Total	184,098	202,151

12.00 Long Term Bank Loan: Tk. 18,594,871

This is made up as follows:

Term Loan-Long Term portion	18,594,871	17,763,578
Total	18,594,871	17,763,578

This represent loan from Mutual Trust Bank Ltd. against import pf machinery which is repayable within three years. The loan is secured against hypothecation of machinery.

13.00 Deferred Tax Liability Tk. 30,365,508

This has been arrived as under:

A. Temporary difference:

Carrying Amount of PPE	370,927,656	405,187,960
Tax Base Value of PPE	160,150,928	199,354,529
Taxable Timing Differences	210,776,729	205,833,431
Tax rate (25%)	25.00%	12.50%
Deferred Tax Liabilities Closing Balance (A)	26,965,003	25,729,179
Less: Opening balance of Deferred Tax Liabilities	25,729,179	24,377,764
Deferred Tax Expenses (C)	1,235,824	1,351,415

Note- 13.01

B. Revaluation:

Carrying value of land	99,430,849	99,430,849
Other than Land	10,128,463	10,128,463

Tax rate:

Land	2%	2%
Other than Land	15%	15%

Closing Deferred Tax Liabilities: (B)

Land	1,988,617	1,988,617
Other than Land (After adjustment of Deferred tax)	1,411,888	1,444,376

Less: Opening Deferred Tax Liabilities:

Land	1,988,617	1,988,617
Other than Land	1,444,376	1,480,050
Deferred Tax Income/ Expense (D)	32,488	35,674

Deferred Tax Liabilities at the end of the year (A+B)

Total Deferred Tax Income/Expense (C+D)	30,365,508	29,162,172
	1,203,336	1,315,740

The company has recognised deferred tax in accordance with the International Accounting Standard 12 (IAS). Deferred tax is provided using the liability method for temporary difference between the carrying value of fixed assets as per accounts and the corresponding income tax written down value. Deferred tax is calculated at the effective Income Tax rate Prevailing at balance sheet date. The company has recognised Deferred Tax on revaluation reserve from land as per provision of IAS-12 (Income

13.01 Calculation of Deferred Tax

Particulars	Carrying amount	Tax base	Taxable Differences	DTL/(DTA) Upto 30.06.2021	Deferred Tax Expenses/(Income) for the year	DTL/(DTA)as on 30.06.2022
Building & Others	158,077,251	50,934,635	107,142,616	12,841,102	1,103,451	13,944,552
Plant & Machinery	184,563,904	84,888,216	99,675,689	12,370,092	178,738	12,548,830
Generator & Electric	10,936,397	6,977,973	3,958,425	517,985	(46,365)	471,621
Motor Vehicle	11,344,359	11,344,359	-	-	-	-
Office Decoration &	4,520,623	4,520,624	-	-	-	-
Furniture & Fixture	1,485,121	1,485,121	-	-	-	-
Total	370,927,656	160,150,928	210,776,729	25,729,179	1,235,824	26,965,003

14.00 Trade and other Payables: Tk. 125,777

This is made up as

Bills Payable	125,777	213,025
Total	125,777	213,025

Note- 14.01



14.01 Bills Payable: Tk. 125,777

This is made up as
Desh Electric Co.
Janata Machinery

50,125	124,575
75,652	88,450
125,777	213,025

Total**15.00 Short Term Bank Loan: Tk. 8,605,868**

This is made up as
Cash Credit (Hypo) From JBL, Account No. 0240
Loan Against Trust Receipts (LTR)
Current portion of long term loan

-	29,312,733
-	20,833,313
8,605,868	9,778,740
8,605,868	59,924,786

Total**16.00 Accrued Expenses Tk. 4,560,925**

This is made up as
Factory Electricity Bill
Factory Gas Bill
Audit Fee Payable
Annual Listing fee payable
CDBL Fees Payable
Telephone Bill
Internet Bill
Printing Bill
Office Electricity, Wasa & Others
Salary and Allowance
Wages & salary

58,316	47,450
372,348	139,450
172,500	115,000
980,798	980,798
106,000	106,000
1,945	5,250
12,650	7,950
9,800	9,650
87,455	65,452
633,239	345,450
2,125,874	325,120
4,560,925	2,147,570

Total**17.00 IPO Application Fund Tk. 0**

Mutual Trust Bank Ltd.-STD-2508
Mutual Trust Bank Ltd.-FC-4399 (USD)
Mutual Trust Bank Ltd.-FC-4406 (POUND)
Mutual Trust Bank Ltd.-FC-4415 (EURO)

-	5,027,178
-	504,484
-	126,168
-	108,028
-	5,765,858

Total**Movement of IPO Application Fund:**

Opening IPO Application Fund
Add: Interest From STD Account This Year
Add: Gain From Foreign Currency Account

5,765,858	5,765,858
76,559	-
29,743	-
5,872,160	5,765,858

Less: Transfer to Other Income Account:

Foreign Currency Gain
STD Account Interest
Less: Transfer to Capital Stabilization Fund

29,743	-
833,917	-
863,660	-

IPO Application Fund Available for Transfer:

Less: Transfer to Capital Stabilization Fund

5,008,500	5,765,858
5,008,500	-
-	5,765,858

18.00 Provision for Tax: Tk. 13,682,984

This has been arrived as under:

Opening Balance

13,731,022 14,069,713

Provision during the year:

Tax charge during the period on Turnover
Tax charge during the period on Non Operating Income

546,384	1,272,483
467,683	388,826
1,014,067	1,661,309

Less :Adjusted/ Payment during the period:

Adjustment
Payment

-	-
1,062,106	2,000,000
1,062,106	2,000,000

Closing Balance

13,682,984 13,731,022



19.00 Unclaimed Dividend : Tk. 1,705,031

Opening Payable	Paid during the year	Paid to Capital Market Stabilization Fund	Balance on'30 June 2022	Balance on'30 June 2021
Dividend-2018	375,655	9,702	365,953	-
Dividend-2020	1,209,919	895	1,209,024	375,655
Dividend-2022 (Interim)	-	13,210,007	496,007	1,209,919
Total	1,585,574	13,220,604	365,953	1,705,031
			1,705,031	1,585,574

20.00 Turnover: Tk. 91,064,046

The above Turnover comprises with the following:

Export	-	211,568,095
Local Sells	614,500	512,350
Sub-Contract Revenue	90,449,546	
Total	91,064,046	212,080,445

*As per Sub-Contract agreement executed between Khan Brothers PP Woven Bag Ind. Ltd. & Khan Brothers Bag Ind. Ltd. on 22nd June, 2021 as per Board Resolution dated 17th June, 2021

21.00 Cost of Sales/Service: Tk. 80,246,756

This has been arrived as under:

Opening Work-in-Process		17,925,222	14,050,613
Raw materials consumed		-	144,233,756
Wages & Salaries	Note- 21.02	36,545,620	9,098,570
Manufacturing overhead	Note- 21.03	43,701,136	39,287,910
Less: Closing Work-in-Process		-	(17,925,222)
Cost of Production/Services		98,171,978	188,745,627
Opening stock of Finished Goods		26,220,200	25,120,630
Cost of Goods Available for Sale/Service		124,392,178	213,866,257
Closing stock of Finished Goods		(44,145,422)	(26,220,200)
Cost of Sales/Service		80,246,756	187,646,057

21.01 Raw Materials Consumed: Tk. 0

This is made up as follows:

Opening Stock	Note- 21.04	553,314,755	538,989,211
Add: Purchase during the Year	Note- 21.05	-	158,559,300
		553,314,755	697,548,511
Less: Closing Stock	Note- 21.06	(553,314,755)	(553,314,755)
Raw Materials Consumed during the year		-	144,233,756

21.02 Wages & Salaries: Tk. 36,545,620

This consists of the following:

Wages & Salary	33,945,560	8,551,118
Overtime & Incentive	2,600,060	547,452
Total	36,545,620	9,098,570



21.03 Manufacturing Overhead: Tk. 43,701,136

This consists of the following:

Workers Food Allowance	942,560	230,838
Electricity Bill	725,962	411,960
Gas Bill	2,208,449	1,039,889
Diesel for Generator	998,545	375,944
Spare Parts	1,886,309	754,846
Factory Maintenance	1,125,655	711,308
Machinery Maintenance	1,347,560	700,980
Electric Materials	999,850	276,281
Daily Labor	934,560	96,125
Worker Transport Expenses	825,650	199,593
Medical Expenses	114,568	50,216
Hardware Materials	834,560	625,988
Depreciation	30,756,908	33,813,942
Total	43,701,136	39,287,910

21.04 Opening Stock of Raw Materials: Tk. 553,314,755

Item wise break up of stock have been given below;

Particulars	Unit	Unit	Unit Price	Total (Tk.)
PP Yarn Grade	64,598	Bag	3,893	251,504,652
CaCo3	11,584	Bag	1,595	18,475,702
HDPE	24,200	Bag	3,303	79,931,177
LDPE	18,320	Bag	3,946	72,285,881
LLDPE	16,656	Bag	3,748	62,422,821
Omagh CaCo3	1,932	Bag	2,215	4,279,700
Master Batch(White)	1,862	Bag	3,803	7,080,717
Master Batch(Red)	912	Bag	4,430	4,040,160
Master Batch(Blue)	400	Bag	4,250	1,700,000
Master Batch(Beige)	1,030	Bag	4,280	4,408,400
Master Batch(Yellow)	286	Bag	4,150	1,186,900
Master Batch(Green)	1,450	Bag	4,320	6,264,000
Master Batch(Orange)	1,242	Bag	4,225	5,247,450
PP Lamination	4,604	Bag	4,220	19,428,880
Sweing Thread	10,272	Kg	198	2,031,829
Poly Tape	1,204	Roll	355	427,420
PP Clip	1,053	Pkt	75	78,975
Printing Ink	6,951	Kg	308	2,138,555
Sweing Oil	719	Ltr	175	125,825
Gear Oil	652	Ltr	181	118,012
Mobil	2,373	Ltr	76	180,084
Diamond Gum	200	Kg	221	44,200
Retader	3,376	Ltr	136	459,136
Exetiter	240	Ltr	126	30,240
Adhesive Tape(Both side) -2"	390	Roll	45	17,550
Solvent/Thiner	25,304	Ltr	189	4,791,976
Hydrolic Oil	476	Ltr	155	73,780
Compassor Oil	67	Ltr	165	11,055
Nalco-2000	57	Kg	709	40,412
Greeze	15	Kg	107	1,617
Adhesive Gum(Glue)	3,151	Kg	29	91,379
Adhessive Tape-2"	51	Roll	48	2,440
Krapt Paper	66,573	Kg	66	4,393,830
Total				553,314,755



21.05 Purchase Raw Materials: Tk. 0

Item wise break up of purchase have been given below;

Particulars	Unit	Unit	Unit Price	Total (Tk.)
Total				-

21.06 Closing Stock of Raw Materials: Tk. 553,314,755

Particulars	Unit	Unit	Unit Price	Total (Tk.)
PP Yarn Grade	64,598	Bag	3,893	251,504,652
CaCo3	11,584	Bag	1,595	18,475,702
HDPE	24,200	Bag	3,303	79,931,177
LDPE	18,320	Bag	3,946	72,285,881
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PP Lamination	4,604	Bag	4,220	19,428,880
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Sweing Oil	719	Ltr	175	125,825
Gear Oil	652	Ltr	181	118,012
Mobil	2,373	Ltr	76	180,084
Diamond Gum	200	Kg	221	44,200
Retader	3,376	Ltr	136	459,136
Exetiter	240	Ltr	126	30,240
Adhesive Tape(Both side) -2"	390	Roll	45	17,550
Solvent/Thiner	25,304	Ltr	189	4,791,976
Hydrolic Oil	476	Ltr	155	73,780
Compassor Oil	67	Ltr	165	11,055
Nalco-2000	57	Kg	709	40,412
Greeze	15	Kg	107	1,617
Adhesive Gum(Glue)	3,151	Kg	29	91,379
Adhessive Tape-2"	51	Roll	48	2,440
Krapt Paper	66,573	Kg	66	4,393,830
Total				553,314,755



22.00 Administrative Expenses: Tk. 18,143,428

This consists of the following:

AGM Expenses		44,500	105,000
Salary and Allowances		8,045,620	9,995,180
Directors Remuneration	Note- 22.01	-	2,797,200
Directors Meeting Allowances	Note: 22.02	43,800	43,800
Donation & Subscription		278,450	399,460
Entertainment		745,120	484,777
Fuel & Lubricant		224,560	987,316
Listing Fee		980,798	980,798
CDBL Fee		106,000	106,000
Traveling & Conveyance		514,560	493,406
Office Rent		-	600,000
Office Electricity, Wasa and Others Bill		674,560	606,752
Office Maintenance		614,744	292,500
Printing & Stationery		785,474	645,400
Postage & Telegram		7,415	37,751
Registration & Renewals		345,855	377,978
Telephone Bill		20,456	33,445
Mobile Bill		169,200	348,900
Internet Bill		151,800	146,000
Audit Fees		172,500	115,000
RJSC Expenses		-	4,255
Vehicle Maintenance		574,560	1,474,560
Newspaper & Periodicals		9,125	13,975
Other Expenses		194,956	1,187,518
Depreciation		3,439,375	4,206,538
Total		18,143,428	26,483,509

22.01 Directors Remuneration Tk.0

Name	Designation		
Tofayel Kabir Khan	Managing Director	-	1,182,000
Mohammed Enamul Kabir Khan	Chairman	-	-
Md. Ruhul Kabir Khan	Director	-	894,000
Hazrat Ali	Director	-	721,200
Khairul Kabir Khan	Executive Director	-	-
Total		-	2,797,200

22.02 Directors Meeting Allowances Tk.43,800

Name	Designation		
Tofayel Kabir Khan	Managing Director	9,000	9,000
Mohammed Enamul Kabir Khan	Chairman	9,000	9,000
Md. Ruhul Kabir Khan	Director	7,200	7,200
Hazrat Ali	Director	5,400	5,400
Md. Zakirul Kabir Khan	Nominee Director	-	-
Mrs. Jarin Kabir Khan	Nominee Director	7,200	7,200
Bahalul Kabir	Independent Director	6,000	6,000
Md. Shahid Ullah	Independent Director	-	-
Total		43,800	43,800

(a) No compensation was made to the Managing Director of the company except as stated above.

(b) No amount was spent by the company for compensating any member of the Board of Directors except as stated above.



23.00 Marketing, Selling & Distribution Expenses: Tk. 1,527,020

This consists of the following:

Sales Commission	-	584,995
Car Repair & Maintenance	-	487,450
Carriage Outward & Delivery	-	311,929
Advertisement	-	229,864
Fuel & Lubricants	545,785	502,215
Salary & Allowances	852,460	1,481,177
Toll Expenses	64,756	88,944
Depreciation	64,019	80,024
Total	1,527,020	3,766,598

24.00 Financial Expenses: Tk. 8,886,754

This consists of the following:

Bank Charges & Others	33,181	61,224
Bank Interest on CC (hypo)	3,767,340	2,891,450
Interest & Charges on LTR	2,079,661	2,108,139
Interest on Term Loan	2,913,421	2,612,455
Excise Duty on CC (hypo)	30,000	15,000
Excise Duty FDR & TDR	48,150	45,150
Excise Duty on Term Loan	15,000	15,000
Total	8,886,754	7,748,418

25.00 Income Tax Expenses: Tk. 2,217,403

This has been arrived as under:

Current Tax	Note- 18.00	1,014,067	1,661,309
Deferred Tax	Note- 13.00	1,203,336	1,315,740
Income tax expenses		2,217,403	2,977,049

26.00 Non Operating Income : Tk. 1,870,731

This consists of the following:

Interest on IPO Subscription Fund	833,917	85,378
Gain/(Loss) on Foreign Currency Fluctuation	29,743	64,110
Interest on FDR fund	1,007,071	1,405,818
Total	1,870,731	1,555,306

27.00 Earnings Per Share: Tk. -0.18

This has been calculated in compliance with the requirements of IAS 33 Earning per share is the basic earning dividing by the weighted average number of ordinary shares outstanding the end of the year.

Earnings Per Share

Net Income after tax	(18,086,585)	(14,985,881)
Weighted average no. of ordinary Shares	98,079,877	98,079,877
	(0.18)	(0.15)

Due to world market crisis, export orders have declined significantly as a result negative impact reflected on revenue and Earnings per Share (EPS). On the other hand there was no significant change of fixed cost and that is the reason for significant deviation in Earnings per Share (EPS).



28.00 Net Asset Value Per Share (NAVPS)

Total Assets	1,248,257,662	1,332,702,883
Current Liabilities+Long Term Liabilities	77,640,964	130,293,585
Net Assets Value(NAV) including Revaluation surplus	1,170,616,698	1,202,409,298
Number of ordinary shares outstanding	98,079,877	98,079,877
Net Assets Value(NAV) Per Share including Revaluation surplus	11.94	12.26
Net Assets Value(NAV) excluding Revaluation surplus	1,081,801,542	1,113,410,045
Net Assets Value(NAV) Per Share excluding Revaluation surplus	11.03	11.35

29.00 Net Operating Cash flows per Shares (NOCFPS)

Cash inflow/ (outflow) per share	0.50	0.40
The composition of cash inflow/(outflow) value per share is given below		
Operating cash flow during the year	49,022,372	39,359,260
Number of ordinary shares	98,079,877	98,079,877
	0.50	0.40

Payment to Suppliers & Creditors were decreased in the financial year ended 30th June 2022 in comparison to the previous year. This is the reason for which Net Operating Cash Flow Per Share (NOCFPS) compare to significant changes over Previous Year NOCFPS.

30.00 Capacity and Capacity Utilization

Installed Capacity	Actual Capacity	Utilization
8.70 Crore Pieces of Different types of Bags	6.95 Crore	30%

31.00 Reconciliation of Net Cash Flows From Operating Activities

Net Profit after Tax	(18,086,585)	(14,985,881)
Add: Depreciation	34,260,303	38,100,504
Add: Deferred Tax	1,203,336	1,315,740
Add: Increase/Decrease of Current Assets	30,124,608	16,192,723
Less: Decrease of Current Liabilities	1,520,711	(1,263,826)
Net Cash Flows From Operating Activities	49,022,372	39,359,260

32.00 Related Party Transaction:

The company has carried on transactions with related parties in the normal course of business. The name of related parties and nature of transactions have been presented in accordance with the provision of IAS 24 Related Party Disclosures.

<u>Name of Related Party</u>	<u>Nature of Transaction</u>
Khan Brothers Bag Industries Ltd.	Receipts, payment, Bank transaction
Khan Brothers International (Proprietorship)	Receipts, payment, Bank transaction

33.00 General:**Initial Public Offering**

The company applied for initial public offering for 2,00,00,000 ordinary shares @ Tk.10.00 per share and consent from Bangladesh Securities Exchange Commission has been accorded vide their letter no. SEC/CI/IPO-208/2012/447 Dated 24 June 2014. Subscription closed on 6 September 2014 and allotment made observing due formalities.

33.01 Capital Expenditure Commitment

There was no commitment for capital expenditure contracted or provided as on 30.06.2022.

33.02 Claims not Acknowledged

There is no claim against the Company acknowledged as debt as on 30.06.2022

33.03 Directors Responsibility Statements

The Board of Directors taken the responsibility for the preparation and presentation of these financial statements.



33.04 Employee Details:

- i) During the year there were 437 employees employed for the full year and 147 employees less than the full year at a remuneration of Taka 9,000 per month and above.
- ii) At the end of the period, there were 584 employees in the company.
- iii) Each employees received salaries more than Tk. 8,000 per month

34.00 Event after the reporting period

Following events occurred since the balance sheet date:

- (a) The board of directors recommended no dividend at the Board meeting held on November 10, 2022 for the year ended June 30, 2022. This is subject to final approval by the shareholders at the forthcoming Annual General Meeting (AGM) of the company.
- (b) Except for the fact stated above, no circumstances have arisen since the balance sheet date which would require adjustment to, or disclosure in, the financial statements or notes thereto.

35.00 Financial Risk Management

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

Credit Risk
Liquidity Risk
Market Risk

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. Management has a credit policy in place that are controlled and monitored in accordance with terms and conditions prescribed in export letter of credit. As at 30th June 2022 the entire part of the receivables are related to export of goods and subject to insignificant credit risk. Risk exposures from other financial assets. i.e. Cash at bank and other external receivables are nominal.

Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach in managing liquidity (cash and cash equivalents) 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 equivalent to meet expected operational expenses including financial obligation through preparation of the cash flow forecast with due consideration of time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. In extreme stressed conditions the company may get support from the related company in the form of short term financing.

Market Risk

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

(a) Currency risk

The company is exposed to currency risk on certain revenues and purchases such as revenue from foreign customers and import of raw materials, machineries and equipment. Majority of the company's foreign currency transactions are denominated in USD and relate to procurement of raw materials, machineries and equipment from abroad.

(b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowing. The foreign currency loan is subject to floating rates of interest. Local loans are, however, not significantly affected by fluctuations in interest rate risk . The company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

36.00 Authorization for issue

The financial statements were authorized for issue by the Board of Directors of the company on 10 November 2022.

37.00 Re-arrangement in Presentation

Last year figures have been re-arranged where necessary to conform with the current years presentation.



Khan Brothers PP Woven Bag Industries Ltd.
Schedule of Property, Plant and Equipment
For the year ended June 30, 2022

Annexure A

Particulars	COST/REVALUATION			Rate of Dep.	DEPRECIATION			Written down value as at 30.06.2022	Written down value as on 30.06.2021
	As at 01.07.2021	Addition During the year	As at 30.06.2022		As at 01.07.2021	Addition During the year	As at 30.06.2022		
Land & Land Development	140,887,199	-	140,887,199	0%	-	-	-	140,887,199	140,887,199
Building & Other Construction	244,829,701	-	244,829,701	5%	78,432,595	8,319,855	86,752,450	158,077,251	166,397,106
Plant & Machinery	459,753,737	-	459,753,737	10%	254,682,733	20,507,100	275,189,833	184,563,904	205,071,005
Generator & Electric Equipment	57,782,068	-	57,782,068	15%	44,915,718	1,929,952	46,845,671	10,936,397	12,866,350
Motor Vehicle	31,722,303	-	31,722,303	20%	17,541,854	2,836,090	20,377,944	11,344,359	14,180,449
Office Decoration & Fittings	10,922,885	-	10,922,885	10%	5,899,970	502,291	6,402,262	4,520,623	5,022,915
Furniture & Fixture	4,869,065	-	4,869,065	10%	3,218,930	165,013	3,383,944	1,485,121	1,650,135
Total as on 30 June 2022	950,766,958	-	950,766,958		404,691,800	34,260,303	438,952,103	511,814,855	546,075,159
Total as on 30 June 2021	922,191,543	28,575,415	950,766,958		366,591,296	38,100,504	404,691,800	546,075,159	

Allocation of depreciation:

Admin	3,439,375
Marketing	64,019
Manufacturing	30,756,908
	<u>34,260,303</u>



Note: Land & Land Development represents only Land.