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Rahman Mostafa Alam & Co.
Chartered Accountants



**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
ARAMIT LIMITED**

Qualified Opinion

We have audited the accompanying financial statements of **ARAMIT LIMITED** ("the Company"), which comprise the Statement of Financial Position as at 30 June 2019 and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying Financial Statements prepared in accordance with International Accounting Standard (IAS) and International Financial Reporting Standards (IFRS), give a true and fair view of the state of the company's affairs as at 30 June 2019 and the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Basis for Qualified Opinion

We draw attention to the users of the financial statements to the following bases for qualified opinion:

1. As disclosed in note 5.02 to the financial statements, Investment in Associates amounting Tk. 126,859,200 have been valued at cost price but it should be valued applying Equity method as required by IAS-28.
2. A total amount of Tk. 296,892,067 (note 11 to the financial statements) is due from five companies having common directorship with Aramit Limited. These amounts have been paid as short-term loan to those companies. According to Section 103 of Companies Act, 1994 as well as Bangladesh Securities and Exchange Commission notification # SEC/CMRRCD/2006-159/Admin/02, these loans require general meeting approval. But no such approval was taken.

Key Audit Matters

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

Revenue recognition – sale of goods

Refer to note 22.00

Key audit matter	How the matter was addressed in our audit
<ul style="list-style-type: none">Revenue recognition has significant and wide influence on financial statements.	We have tested the design and operating effectiveness of key controls focusing on the following:

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<ul style="list-style-type: none"> Revenue is recognized when the amounts and the related costs are reliably measured, and the performance obligation is completed through passing of control to the customers. Revenue from the sale of goods is recognized when the company has delivered products to the customers at the delivery point and control has passed. There is a risk that the company might misstate/manipulate sales quantity or price in the financial statements. 	<ul style="list-style-type: none"> We understood, evaluated and validated the key controls related to Company's sales process from end to end, from contracts approval and sign-off, recording of sales, all the way through cash receipts and customer outstanding balances. Segregation of duties in invoice creation and modification; The timing of revenue recognition. <p>Our substantive procedures in relation to the revenue comprise the following:</p> <ul style="list-style-type: none"> Obtaining supporting documents for sales transactions recorded either side of year-end as well as debit 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; Verifying sales price from trade receivables' documents; Cross-checking with VAT records.
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Inventories

Refer to note 06

<p>There is a risk that: -</p> <ul style="list-style-type: none"> Inventory that does not exist being included in the financial statements. Inventory can be over or undervalued. Inventory is included in the financial statements at full value when it is stolen or obsolete or damaged or suffered any kind of loss. Inventory that actually belongs to third parties or sold to any party being included in the financial statements. 	<p>Our audit procedures in this area included among others:</p> <ul style="list-style-type: none"> Evaluating the design and implementation of key inventory controls operating across the factories; Attending inventory counts and reconciling the count results to the inventory listings to test the existence and completeness of data; Checking the cost of raw materials purchase and valuation method applied for raw materials and work in progress. Comparing the net realizable value, obtained through a detailed review of sales subsequent to the year-end, to the cost price of a sample of inventories. Checking the items noted as obsolete or damaged at the inventory count that has been appropriately adjusted.
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Account Receivables

Refer to note 07

<ul style="list-style-type: none"> A major risk is having false/unrealizable value being included in receivables. The management might not keep sufficient provision for bad/doubtful debt. 	<p>Our audit procedures in this area included among others:</p> <ul style="list-style-type: none"> Checking subsequent status of receivables; Checking ageing analysis of receivables; Sending balance confirmation letters to parties; Ensuring that sufficient provision is made for bad & doubtful debts; if any. Assessed the design and implementation of key controls over receivable management. Tested these balances on a sample basis through agreement to post period end invoicing and cash receipt.
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Valuation of Property, plant and equipment

Refer to note 04

<ul style="list-style-type: none"> The company has large amount and numbers of property, plant and equipment items. Due to technological and time obsolescence, impairment may exist. Management has concluded that there is no impairment in respect of all assets. This conclusion required significant management judgment. Hence, we considered this to be a key audit matter. 	<p>Our audit procedures in this area included among others:</p> <ul style="list-style-type: none"> Assessing the consistency of methodologies used for depreciating the assets. Checking, on a sample basis, the accuracy and relevance of the accounting of PPE by management. Performing physical verification to ensure existence of the items as well as to ensure that those aren't obsolete. Review the managements review regarding remaining useful lives of assets.
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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), the Companies Act 1994 and other applicable laws and regulations 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.

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial statements 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.

Report on Other Legal and Regulatory Requirements

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

- i. 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;
- ii. in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- iii. 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 account and returns; and
- iv. The expenditure incurred was for the purpose of the Company's business.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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 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.

Based on the work we have performed, we conclude that if there is a material misstatement of these other information, we are required to report that fact. We have nothing to report in this regard.

Chattogram, 28 October 2019

Rahman Mostafa Alam & Co.
Rahman Mostafa Alam & Co.
Chartered Accountants



ARAMIT LIMITED
Statement of Financial Position
As at 30 June 2019

	<u>Note(s)</u>	<u>30 June 2019</u>	<u>30 June 2018</u>
		<u>Taka</u>	<u>Taka</u>
ASSETS			
Non-current assets			
Property, plant and equipment	04.00	115,088,094	109,802,728
Investments	05.00	256,122,580	298,897,850
Total non-current assets		371,210,674	408,700,578
Current assets			
Inventories	06.00	141,728,197	198,994,644
Trade receivables	07.00	22,958,882	20,656,598
Advances, deposits and prepayments	08.00	98,513,764	113,792,494
Short term investments	09.00	63,803,903	25,034,885
Interest receivable	10.00	855,616	410,119
Due from associated companies	11.00	296,892,067	298,548,630
Cash and cash equivalents	12.00	25,631,672	58,751,723
Total current assets		650,384,101	716,189,093
Total Assets		1,021,594,775	1,124,889,671
EQUITY AND LIABILITIES			
Equity			
Share capital	13.00	60,000,000	60,000,000
Reserves	14.00	385,488,028	385,488,028
Dividend equalization fund		50,738,247	50,738,247
Retained earnings		337,367,522	335,408,725
Unrealized surplus of financial assets		41,152,203	72,793,615
		874,746,000	904,428,615
Non-current liabilities			
Provision for employees' retiral gratuity	15.00	28,442,959	22,728,549
Provision for deferred tax	16.00	4,072,885	11,694,105
		32,515,844	34,422,654
Current liabilities			
Creditors and accruals	18.00	104,215,121	170,957,437
Provision for WPP and WF	19.00	126,254	1,510,226
Provision for taxation	20.00	-	6,380,850
Unclaimed dividend	21.00	9,991,556	7,189,889
		114,332,931	186,038,402
Total Equity and Liabilities		1,021,594,775	1,124,889,671
Net asset value per share	31.00	145.79	150.74
Contingent liabilities and commitments	37.00		

The accompanying notes from 1 to 42 form an integral part of these financial statements.



Company Secretary



Director



Managing Director

Signed in terms of separate report of even date.

Chattogram, 28 October 2019


Rahman Mostafa Alam & Co.
Chartered Accountants





ARAMIT LIMITED
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2019

	<u>Note(s)</u>	<u>01 July 2018 to 30 June 2019</u>	<u>01 July 2017 to 30 June 2018</u>
		<u>Taka</u>	<u>Taka</u>
Revenue	22.00	439,982,607	506,444,712
Cost of goods sold	23.00	(375,839,341)	(420,834,376)
Gross profit		64,143,266	85,610,336
General and administrative expenses	24.00	(63,028,220)	(54,847,597)
Selling and distribution expenses	25.00	(35,185,736)	(29,992,913)
Other operating income	26.00	58,331,738	89,412,729
Operating profit		24,261,048	90,182,555
Financial expenses	27.00	(227,246)	(1,844,127)
Non-operating income	28.00	617,727	1,463,486
Profit before contribution to WPP and Welfare Fund		24,651,529	89,801,914
Contribution to WPP & Welfare Fund	19.00	(1,232,576)	(4,490,096)
Profit before income tax		23,418,953	85,311,818
Provision for income tax			
Current tax	20.00	(7,891,920)	(26,500,000)
Deferred tax	16.00	4,105,507	2,362,774
Profit after income tax		19,632,540	61,174,592
Other comprehensive income			
Realized gain/(loss) on sale of financial assets		12,326,256	-
Unrealized gain/(loss) on available-for-sale financial assets	05.01	(35,157,124)	(90,086,206)
Deferred tax @ 10% on unrealized gain/(loss) of financial assets		3,515,712	9,008,620
Total comprehensive income/(loss)		317,385	(19,902,994)
Earnings Per Share (EPS)			
Basic Earnings per share	30.00	3.27	10.20

The accompanying notes from 1 to 42 form an integral part of these financial statements.

Company Secretary

Director

Managing Director

Signed in terms of separate report of even date.

Chattogram, 28 October 2019

Rahman Mostafa Alam
Rahman Mostafa Alam & Co.
Chartered Accountants



ARAMIT LIMITED
Statement of Changes in Equity
For the year ended 30 June 2019

	Share Capital	Capital Reserve	General Reserve	Dividend Equalization Fund	Retained Earnings	Available for sale of financial assets	Total Equity
							Amount in Taka
Balance as on 01 July 2018	60,000,000	20,212,562	365,275,466	50,738,247	335,408,725	72,793,615	904,428,615
Cash Dividend @ 50%	-	-	-	-	(30,000,000)	-	(30,000,000)
Net profit for the year ended 30 June 2019	-	-	-	-	19,632,540	-	19,632,540
Realized gain/(loss) on sale of financial assets	-	-	-	-	-	-	-
Unrealized gain/(loss)	-	-	-	-	-	12,326,256	12,326,256
Deferred tax @10% on unrealized gain/(loss)	-	-	-	-	-	(35,157,124)	(35,157,124)
Realized gain/(loss) transferred to Retained Earnings	-	-	-	-	-	3,515,712	3,515,712
Balance as on 30 June 2019	60,000,000	20,212,562	365,275,466	50,738,247	337,367,522	41,152,203	874,746,000
Balance as on 01 July 2017	60,000,000	20,212,562	365,275,466	50,738,247	301,234,133	153,871,201	951,331,609
Cash Dividend @ 45%	-	-	-	-	(27,000,000)	-	(27,000,000)
Net profit for the year ended 30 June 2018	-	-	-	-	61,174,592	-	61,174,592
Realized gain/(loss) on sale of financial assets	-	-	-	-	-	-	-
Unrealized gain/(loss)	-	-	-	-	-	-	-
Deferred tax @10% on unrealized gain/(loss)	-	-	-	-	-	(90,086,206)	(90,086,206)
Realized gain/(loss) transferred to Retained Earnings	-	-	-	-	-	9,008,620	9,008,620
Balance as on 30 June 2018	60,000,000	20,212,562	365,275,466	50,738,247	335,408,725	72,793,615	904,428,615

The accompanying notes from 1 to 42 form an integral part of these financial statements.

[Signature]

Company Secretary

[Signature]

Director

[Signature]

Managing Director





ARAMIT LIMITED
Statement of Cash Flows
For the year ended 30 June 2019

	<u>30 June 2019</u>	<u>30 June 2018</u>
	<u>Taka</u>	<u>Taka</u>
A. Cash flows from operating activities		
Cash received from customers and others	468,261,513	595,119,464
Cash paid to suppliers	(268,359,275)	(434,255,402)
Cash paid to employees	(103,751,004)	(92,379,180)
Cash paid for operating expenses	(33,384,155)	(24,426,660)
Income tax paid	(14,272,770)	(29,471,086)
Paid to WPP and WF	(2,710,226)	(4,935,603)
Net cash inflow/(outflow) from operating activities	<u>45,784,083</u>	<u>9,651,553</u>
B. Cash flows from investing activities		
Acquisition of property, plant and equipment	(35,711,446)	(36,057,094)
Acquisition of financial assets	(1,342,173)	-
Proceeds from sale of financial assets	21,286,575	-
Due from associated companies	1,656,563	25,654,439
Short term investments	(38,769,018)	69,292,538
Dividend received	617,727	1,463,486
Interest received	783,217	7,548,505
Net cash inflow/(outflow) from investing activities	<u>(51,478,555)</u>	<u>67,901,874</u>
C. Cash flows from financing activities		
Long term loan	-	(21,802,839)
Dividend paid	(27,198,333)	(25,687,694)
Paid for financial expenses	(227,246)	(1,844,127)
Net cash inflow/(outflow) from financing activities	<u>(27,425,579)</u>	<u>(49,334,660)</u>
Net increase/(decrease) of cash and cash equivalents (A+B+C)	<u>(33,120,051)</u>	<u>28,218,767</u>
Cash and cash equivalents at the beginning of the year	58,751,723	30,532,956
Cash and cash equivalents at the end of the year	<u>25,631,672</u>	<u>58,751,723</u>
Net Operating Cash Flow Per Share	<u>7.63</u>	<u>1.61</u>

The accompanying notes from 1 to 42 form an integral part of these financial statements.

Company Secretary

Director

Managing Director

